



RATINGS:

Series A Note Participations
Fitch: "F1+"
Moody's: "MIG 1"
S&P: "SP-1+"

Series B-1 Note Participations
S&P: "SP-1+"

Series B-2 Note Participations
S&P: "SP-1+"

(See "RATINGS" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Participations, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Note Participations. See "TAX MATTERS" herein.

\$176,060,000

**COUNTY OF SAN DIEGO AND SAN DIEGO COUNTY SCHOOL DISTRICTS
TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS, SERIES 2012**

Evidencing and Representing Proportionate and Undivided Interests of the Owners Thereof
in 2012-13 Tax and Revenue Anticipation Notes of the County of San Diego, California and
Certain School Districts within San Diego County

\$50,000,000
Series A
Interest Rate: 2.00%
Yield: 0.17%
Due: June 28, 2013
CUSIP[†]: 797381BG4

\$78,760,000
Series B-1
Interest Rate: 2.00%
Yield: 0.25%
Due: January 31, 2013
CUSIP[†]: 797381BH2

\$47,300,000
Series B-2
Interest Rate: 2.00%
Yield: 0.30%
Due: April 30, 2013
CUSIP[†]: 797381BJ8

Dated: July 2, 2012

Each Series of the Note Participations (as hereinafter defined) will be delivered as fully registered certificates, without coupons, and when delivered will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Note Participations. Individual purchases of beneficial interests in the Note Participations will be made in book-entry form only and in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such beneficial interests will not receive physical delivery of the Note Participations. Principal of and interest on the Notes represented by the Note Participations will be payable on the applicable maturity date set forth above by the Trustee to DTC. DTC will in turn remit such principal and interest to the DTC Participants (as hereinafter defined), who will in turn remit such principal and interest to the Beneficial Owners (as hereinafter defined) of the Note Participations. See "DESCRIPTION OF THE NOTE PARTICIPATIONS – Book-Entry System" herein.

The Note Participations will not be subject to prepayment prior to maturity.

The Note Participations of each Series are being issued pursuant to the terms of three separate Trust Agreements, each dated as of July 1, 2012 (each a "Trust Agreement" and collectively the "Trust Agreements"), the first of which is by and between the County of San Diego (the "County" or the "Series A Participant") and Wilmington Trust, N.A. (the "Trustee") (the "Series A Trust Agreement") with respect to \$50,000,000 Series A Note Participations (the "Series A Note Participations"), the second of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-1 Participants") and the Trustee (the "Series B-1 Trust Agreement") with respect to \$78,760,000 Series B-1 Note Participations (the "Series B-1 Note Participations"), and the third of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-2 Participants" and, together with the Series B-1 Participants, the "Series B Participants"; the Series A Participant and the Series B Participants are referred to herein as the "Participants") and the Trustee (the "Series B-2 Trust Agreement" and, together with the Series A Trust Agreement and the Series B-1 Trust Agreement, the "Trust Agreements") with respect to \$47,300,000 Series B-2 Note Participations (the "Series B-2 Note Participations" and, together with the Series B-1 Note Participations, the "Series B Note Participations"; the Series A Note Participations and the Series B Note Participations are referred to herein as the "Note Participations"). Each Series of the Note Participations matures on the applicable maturity date set forth above, and evidences and represents a proportionate and undivided interest in certain designated 2012-13 Tax and Revenue Anticipation Notes (individually, a "Note" and collectively, the "Notes") issued by the County on behalf of all Participants, and debt service payments on the Notes to be made by the Participants. The Notes are being issued to provide operating cash for the Participants' working capital expenditures and the investment and reinvestment of funds for the Participants prior to the receipt of anticipated tax payments and other revenues provided for or attributable to Fiscal Year 2012-13. Each Participant has pledged certain Unrestricted Revenues as described herein for the payment of the principal of and interest on its respective Note, provided that no Participant has any obligation to pay the principal of or interest on the Note of any other Participant. The Notes are general obligations of the respective Participants and, to the extent the Notes are not paid from revenues pledged for the payment of the Notes, the Notes shall be paid with interest thereon from any other moneys of the Participants lawfully available therefor.

Payments by a Participant of the principal of and interest on its Note shall fully discharge the obligation of such Participant to the Owners of the Note Participations, notwithstanding nonpayment by one or more other Participants. **The obligation of each Participant is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its applicable Note Resolution and Note.**

THE NOTE PARTICIPATIONS ARE LIMITED OBLIGATIONS OF EACH PARTICIPANT PAYABLE SOLELY FROM CERTAIN FUNDS PLEDGED UNDER THE APPLICABLE TRUST AGREEMENT. THE OBLIGATION OF EACH PARTICIPANT TO PAY PRINCIPAL OF AND INTEREST ON THE NOTE PARTICIPATIONS DOES NOT CONSTITUTE A DEBT OF THE PARTICIPANT, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Note Participations will be offered in book-entry form when, and if executed and delivered, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafeld & Wood LLP, Los Angeles, California. It is anticipated that the Note Participations, in book-entry form, will be available for delivery through the facilities of DTC on or about July 2, 2012.

Citigroup**De La Rosa & Co.****Dated: June 7, 2012**

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SERIES A NOTE PARTICIPANT

County of San Diego

SERIES B-1 NOTE PARTICIPANTS

Borrego Springs Unified School District
Cardiff School District
Chula Vista Elementary School District
Grossmont Union High School District
National School District
Oceanside Unified School District
Vista Unified School District

SERIES B-2 NOTE PARTICIPANTS

Carlsbad Unified School District
Encinitas Union School District
Escondido Union School District
Fallbrook Union High School District
San Dieguito Union High School District

**COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS**

Greg Cox, Vice Chairman	First District
Dianne Jacob	Second District
Pam Slater-Price	Third District
Ron Roberts, Chairman	Fourth District
Bill Horn	Fifth District

COUNTY OFFICIALS

Walter F. Ekard, *Chief Administrative Officer*
Dan McAllister, *Treasurer – Tax Collector*
Donald F. Steuer, *Chief Financial Officer*
Tracy M. Sandoval, *Auditor & Controller*
Thomas E. Montgomery, *County Counsel*

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Financial Advisor to School District Participants

Government Financial Strategies inc.
Sacramento, California

Trustee

Wilmington Trust, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offers made hereby and, if given or made, such information or representation must not be relied upon as having been authorized by the Participants. This Official Statement does not constitute an offer to sell the Note Participations in any state or other jurisdiction to any person to whom it is unlawful to make such an offer in such state or jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the Note Participations. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been provided by the Participants and other sources that are believed by the Participants to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Participants since the date hereof. This Official Statement is submitted with respect to the sale of the Note Participations referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the Note Participations, the Notes, the Note Resolutions, the Trust Agreements, the Guaranteed Investment Contract, if any (each as defined herein), and other documents, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Participants.

This Official Statement is submitted in connection with the execution and delivery of the Note Participations referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTE PARTICIPATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTE PARTICIPATIONS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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\$176,060,000
COUNTY OF SAN DIEGO AND SAN DIEGO COUNTY SCHOOL DISTRICTS
TAX AND REVENUE ANTICIPATION NOTE PROGRAM
NOTE PARTICIPATIONS, SERIES 2012

Evidencing and Representing Proportionate and Undivided Interests of the Owners Thereof
in 2012-13 Tax and Revenue Anticipation Notes of the County of San Diego, California and
Certain School Districts within San Diego County

\$50,000,000
Series A

\$78,760,000
Series B-1

\$47,300,000
Series B-2

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and is qualified by a more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein. References to and summaries of provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.

This Official Statement, including the cover page, table of contents and appendices, sets forth certain information concerning the \$176,060,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program Note Participations, Series 2012 comprised of \$50,000,000 Series A Note Participations maturing on June 28, 2012 (the "Series A Note Participations"), \$78,760,000 Series B-1 Note Participations maturing on January 31, 2013 (the "Series B-1 Note Participations") and \$47,300,000 Series B-2 Note Participations maturing on April 30, 2013 (the "Series B-2 Note Participations" and, together with the Series B-1 Note Participations, the "Series B Note Participations"). The Series A Note Participations and the Series B Note Participations are sometimes together referred to as the "Note Participations." Each Series of Note Participations evidences and represents proportionate and undivided interests of the owners thereof in certain 2012-13 Tax and Revenue Anticipation Notes (individually, a "Note" and collectively, the "Notes") issued by the County of San Diego (the "County") on behalf of itself and on behalf of the various school districts, as further described under the "THE PARTICIPANTS" herein (the "Districts" and collectively with the County, the "Participants") located in San Diego County, California, and the debt service payments on the Notes to be made by the Participants. Each Note is issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code") and in accordance with separate resolutions adopted by the Board of Supervisors of the County (the "Board") on behalf of each Participant (each, a "Note Resolution" and collectively, the "Note Resolutions").

The Note Participations of each Series are being issued pursuant to the terms of three separate Trust Agreements, each dated as of July 1, 2012 (each a "Trust Agreement" and collectively the "Trust Agreements"), the first of which is by and between the County (the "Series A Participant") and Wilmington Trust, N.A. (the "Trustee") (the "Series A Trust Agreement") with respect to the Series A Note Participations, the second of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-1 Participants") and the Trustee (the "Series B-1 Trust Agreement") with respect to the Series B-1 Note Participations, the third of which is by and among the County, certain of the Districts identified herein under "THE PARTICIPANTS" (the "Series B-2 Participants" and, together with the Series B-1 Participants, the "Series B Participants"; the Series A Participant and the Series B Participants are referred to herein as the "Participants") and the Trustee (the "Series B-2 Trust Agreement" and, together with the Series A Trust Agreement and the Series B-1 Trust Agreement, the "Trust Agreements") with respect to the Series B-2 Note Participations. The Participants

will determine the principal amount of their respective Notes upon execution by the County on behalf of all Participants of a Contract of Purchase (the "Purchase Contract"). See APPENDIX A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and APPENDICES B, C and D for a summary description of certain information respecting each Participant.

The Note Participations will be executed and delivered in an aggregate principal amount equal to the aggregate principal amount of the Notes. The Notes represented by the Series A Note Participations are being issued to provide operating cash for the County's current working capital expenditures, capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated tax payments and other revenues. The Notes represented by the Series B Note Participations are being issued to provide operating cash for the current working capital expenditures, capital expenditures and the investment and reinvestment of funds prior to the receipt of anticipated tax payments and other revenues for the respective Districts. Imbalances in the Participants' cash flows, resulting from the timing of expenditures and receipts, require that the Participants borrow funds to meet all scheduled disbursements, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the Participants.

Each Participant has pledged, pursuant to Section 53856 of the Government Code and its respective Note Resolution for the payment of principal of and interest on its respective Note, certain Unrestricted Revenues (as hereinafter defined, the "Pledged Revenues") which are received, accrued or held by the Participant and are attributable to the 2012-13 Fiscal Year, and the principal of its Note and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the first moneys received by the Participant from such Pledged Revenues and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the Participant provided for or attributable to the 2012-13 Fiscal Year and available therefor (all as provided for in Sections 53856 and 53857 of the Government Code). The term "Unrestricted Revenues" shall mean all taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys, which are generally available for the payment of current expenses and other obligations of the Participant. The Owners (as defined below) shall have a first lien and charge on such Unrestricted Revenues as provided in the respective Trust Agreement which are received, accrued or held by the Participant and are attributable to the 2012-13 Fiscal Year. Notwithstanding the foregoing, the terms "Unrestricted Revenues" and "Pledged Revenues" shall exclude moneys which, when received by the Participant, will be encumbered for a special purpose unless an equivalent amount of the proceeds of the related Participant's Note is set aside and used for said special purpose. **Notwithstanding the foregoing, Unrestricted Revenues pledged by the Participants to the payment of the Notes represented by their respective Participations as Pledged Revenues shall not include any amounts pledged by the Participants to the payment of any temporary transfer of funds by the Treasurer-Tax Collector of the County (the "Treasurer-Tax Collector") pursuant to Section 6 of Article XVI of the California Constitution (the "Temporary Transfers"), which transfers are referred to as Treasurer's Loans from time to time.**

Each Participant has agreed pursuant to its respective Note Resolution to cause to be deposited with the Trustee an amount, together with interest earnings thereon, equal to the principal amount of and interest due on its respective Note from Pledged Revenues received by the Participant in certain sequentially numbered Repayment Months (as defined in the respective Trust Agreements and in the respective Notes). See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

No Participant has any obligation to pay the principal of or interest on the Note of any other Participant. The Notes are general obligations of the respective Participants and, to the extent the Notes are not paid from such Pledged Revenues, the Notes shall be paid, with interest thereon, from any other moneys of the respective Participants lawfully available therefor pursuant to Section

53857 of the Government Code. The obligation of each Participant is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its applicable Note Resolution and Note. See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

The Participants may issue, upon satisfaction of certain conditions in the Participant's respective authorizing resolutions, additional notes secured by a pledge of Pledged Revenues on a parity with or subordinate to the pledge of Pledged Revenues for the Notes. See "SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS" herein.

All quotations from and summaries and explanations of provisions of the laws of the State of California (the "State") and acts and proceedings of the Participants contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Note Participations, the Notes, the Note Resolutions and the proceedings of the Participants relating thereto, are qualified in their entirety by reference to the definitive forms of the Note Participations, the Notes and such proceedings. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the respective Trust Agreement and, where the context indicates, the respective Note Resolution.

THE TRANSACTION

On the date of issuance of the Notes and the execution and delivery of the Note Participations (the "Closing Date") the following transactions shall occur simultaneously in accordance with the respective Trust Agreement: (a) the County shall deposit each respective Note, on behalf of itself and/or of each Participant, in trust with the Trustee, who shall hold such Notes in trust until their maturity; (b) the Trustee shall execute and deliver the related Note Participations, registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee, for the benefit of the beneficial owners of interests in the Note Participations described herein ("Beneficial Owners"); and (c) the proceeds of the Note Participations shall be deposited and disbursed as set forth in the respective Trust Agreement.

The purchase price for the Notes shall be derived solely from the proceeds received from the sale of the Note Participations, which shall be an amount equal to the principal amount of the Notes, less any discount and plus any premium. The Note Participations shall represent undivided, proportionate interests in the Notes and the debt service payments to be made by the Participants under the Notes. Principal and interest payments made by the Participants to the Trustee shall be remitted by wire transfer to DTC or its nominee which in turn will remit such payments to participants in DTC ("DTC Participants") for subsequent disbursement to the Beneficial Owners. See "DESCRIPTION OF THE NOTE PARTICIPATIONS – Book-Entry System" herein. Pursuant to the applicable Trust Agreement, the Trustee agrees to transfer all such debt service payments as may be received from the related Participants to DTC, as Registered Owner of the Note Participations (the "Owner"), and the Trustee agrees to hold the Notes until their maturity for the benefit of the Beneficial Owners. Neither the Trustee nor the Participants shall have any further liability with respect to payments of principal of and interest on the Notes represented by the Note Participations or any fiduciary responsibility to the Owners or the Beneficial Owners except as expressly set forth in the applicable Trust Agreement or the terms of the Note Participations. See "SUMMARY OF THE TRUST AGREEMENTS" herein.

DESCRIPTION OF THE NOTE PARTICIPATIONS

The Note Participations

Each Series of Note Participations will be executed and delivered as fully registered certificates, without coupons. The Note Participations will be dated, will mature and will have an interest component calculated at the rates per annum, all as shown on the cover page hereof. Principal with respect to the Notes will be payable on the applicable Maturity Date (as defined in each Participant's Note). Principal and interest with respect to the Notes will be payable on their respective Maturity Dates (as defined in each Participant's Note). Principal of and interest due on each Series of the Notes represented by the respective Note Participations will be payable by the Trustee to DTC, which will in turn remit such principal and interest to the DTC Participants. It is the responsibility of the DTC Participants to remit such principal and interest to the Beneficial Owners. See "Book-Entry System" herein. The Note Participations and the Notes evidenced thereby are not subject to redemption prior to maturity.

Book-Entry System

The information hereunder concerning DTC and DTC's book-entry only system has been obtained from DTC and the Participants take no responsibility for the completeness or accuracy thereof. The Participants, the Trustee and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Note Participations, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note Participations, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note Participations, or that they will do so on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The Participants, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Note Participations or an error or delay relating thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company, New York, NY, will act as securities depository for the Note Participations. The Note Participations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Note Participations, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants

include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by reference.

Purchases of Note Participations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note Participations on DTC’s records. The ownership interest of each actual purchaser of each Note Participation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Note Participations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Note Participations, except in the event that use of the book-entry system for the Note Participations is discontinued.

To facilitate subsequent transfers, all Note Participations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Note Participations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Note Participations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Note Participations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Note Participations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Note Participations, such as redemptions, tenders, defaults, and proposed amendments to the Note Participation documents. For example, Beneficial Owners of Note Participations may wish to ascertain that the nominee holding the Note Participations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Note Participations within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Note Participations unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Participants as soon as possible after the

record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Note Participations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and other payments on the Note Participations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Participants, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Participants or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Participants, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

If applicable, a Beneficial Owner shall give notice to elect to have its Note Participations purchased or tendered, through its Participant, to the Participants' designated agent, and shall effect delivery of such Note Participations by causing the Direct Participant to transfer the Participant's interest in the Note Participations, on DTC's records, to the Participants' designated agent. The requirement for physical delivery of Note Participations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Note Participations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Note Participations to the DTC account of the Participants' designated agent.

DTC may discontinue providing its services as depository with respect to the Note Participations at any time by giving reasonable notice to the Participants. Under such circumstances, in the event that a successor depository is not obtained, Note Participation certificates are required to be printed and delivered.

The Participants may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated Note Participations will apply.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Participants believe to be reliable, but the Participants take no responsibility for the accuracy thereof.

NEITHER THE PARTICIPANTS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTE PARTICIPATIONS FOR PREPAYMENT.

SOURCES OF PAYMENT FOR THE NOTE PARTICIPATIONS

The Notes

Each Series of Note Participations evidences and represents proportionate and undivided interests in the Series A Notes or Series B Notes, as appropriate, and in debt service payments attributable to such Series of Note Participations to be made thereon by the respective Participants. The Notes are general obligations of the respective Participants and, to the extent not paid from the pledged moneys herein described, shall be paid from any other moneys of the Participants lawfully available therefor. However, except for the Pledged Revenues described herein, the Participants are not prohibited from pledging, encumbering and utilizing other moneys for other purposes and there can be no assurance that such other moneys will be available for the payment of the principal of and interest on the Notes represented by the Note Participations and the Notes evidenced thereby. **No Participant has any obligation to pay the principal of or interest on the Note of any other Participant.**

The Notes represented by the Series A Note Participations are secured by the Pledged Revenues of the County as described herein. See APPENDIX A – “COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION” for more information on the County.

The Notes represented by the Series B Note Participations are secured by the Pledged Revenues as described herein of the Series B Note Participants. See APPENDIX B – “INFORMATION REGARDING THE DISTRICTS” for more information on the Districts.

Pledged Revenues

As security for the Notes, the Participants have each pledged certain Unrestricted Revenues (as hereinafter defined, the “Pledged Revenues”) which are received, accrued or held by the Participant and are attributable to the 2012-13 Fiscal Year, and the principal of the respective Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from the first moneys received by the Participant from such Pledged Revenues, and, to the extent not so paid, shall be paid from any other taxes, income, revenue, cash receipts and other moneys of the Participant provided for or attributable to the 2012-13 Fiscal Year and available therefor (all as provided for in Sections 53856 and 53857 of the Government Code). The term “Unrestricted Revenues” shall mean all taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts, and other moneys, which are generally available for the payment of current expenses and other obligations of the Participant. The Owners shall have a first lien and charge on such Unrestricted Revenues as provided in the respective Trust Agreement which are received, accrued or held by the Participant and are attributable to the 2012-13 Fiscal Year. Notwithstanding the foregoing, the terms “Unrestricted Revenue” and “Pledged Revenues” shall exclude moneys which, when received by a Participant, will be encumbered for a special purpose unless an equivalent amount of the proceeds of its Note is set aside and used for said special purpose. **Notwithstanding the foregoing, Unrestricted Revenues pledged by the Participants to the payment of the Notes represented by the Note Participations as Pledged Revenues shall not include any amounts pledged by the Participants to the payment of any Treasurer Temporary Transfers.**

To effect the pledge referred to in the preceding paragraph, each Participant has agreed pursuant to its respective Note Resolution to the establishment and maintenance by the Trustee of a Payment Account as a special fund of such Participant (each, a “Payment Account”) within the Note Participation Payment Fund under the applicable Trust Agreement. Each Participant has agreed to cause to be deposited directly in its Payment Account on the Repayment Dates (as defined in such Participant’s Note) Pledged Revenues until the amount on deposit in such account is equal on the respective Repayment

Dates to the percentages of the principal of the Note due at maturity and interest due on the Note on the Payment Dates. Any such deposit may take into consideration anticipated investment earnings on amounts invested in a Permitted Investment, as defined in the applicable Trust Agreement, with a fixed rate of return through the applicable Maturity Date. In the event that on each such Repayment Date, such Participant has not received an amount sufficient to deposit into its Payment Account the full amount of Pledged Revenues, then the amount of any deficiency will be satisfied and made up from any other moneys of such Participant lawfully available for the payment of the principal of its Note and the interest thereon, as and when such other moneys are received or are otherwise legally available. The schedule of Pledged Revenue deposits, including the percentage of aggregate principal and interest to be set aside on the applicable Repayment Dates, is set forth in APPENDIX E – “SCHEDULE OF PLEDGED REVENUE DEPOSITS” attached hereto.

On each Payment Date, the moneys in the respective Payment Accounts shall be transferred by the Trustee, to the extent necessary, to pay the interest on, or principal of and interest on, the Notes, as applicable. In the event that moneys in any Payment Account are insufficient to pay the interest on, or the principal of and interest on, the related Note in full on the applicable Payment Date, moneys in such Payment Account shall be applied first to pay interest on the related Note and second to pay principal of the related Note. See APPENDIX G - “PARTICIPANT NOTE AMOUNTS AND COVERAGE ANALYSIS” attached hereto.

Payment Accounts

In accordance with the provisions of the applicable Trust Agreement, all principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the respective Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Note Participation Payment Fund established thereunder, and all money in such fund shall be held in trust by the Trustee for the benefit of the Participant submitting such money until deposited for the payment of principal and interest in connection with the applicable Series of Note Participations, whereupon such money shall be held in trust in such accounts by the Trustee for the benefit and security of the Owners as set forth in the applicable Trust Agreement. Pursuant to each Note Resolution, each Participant is required to deposit amounts with the Trustee on the dates identified as such Participant’s Repayment Dates until the amount on deposit in such Participant’s Payment Account, taking into consideration anticipated investment earnings thereon to be received by the applicable Maturity Date, is equal in the respective Repayment Months identified in the Pricing Confirmation to the percentages of the interest, or the principal and interest, as applicable, due on such Participant’s Note on each Payment Date. Pursuant to each Participant’s Note Resolution, the maximum number of Repayment Dates for each Participant shall be six. If any Participant fails to make the required deposits, the Trustee shall as soon as practical (but in any event within five Business Days) notify such Participant of such failure. If the Trustee receives Payment Account deposits from a Participant in excess of the amounts required to pay the principal of and interest due on such Participant’s Note on the Principal Payment Date, such excess amounts shall remain in the appropriate Participant’s Payment Account in the Note Participation Payment Fund and shall be transferred to such Participant following payment of the amount of Note Participations evidencing and representing such Participant’s Note. **The Participants, to the extent they have any interest in such fund, pledge, transfer, assign and grant a lien on and a security interest in the Note Participation Payment Fund and their respective Payment Account therein to the Trustee for the benefit of the Owners. Moneys in any Participant’s Payment Account will neither be available nor used in any manner (directly or indirectly) to make up any deficiency in the Payment Account of another Participant or for payment of principal of and interest on any other Participant’s Note.**

Expedited Procedure for Deposits into Payment Accounts

Each Participant has covenanted to cause its funds, to the extent available, to be transferred by the County Treasurer-Tax Collector from its general fund at the County Treasurer-Tax Collector's office, or from the Participant's Proceeds Subaccount (as hereinafter defined) held by the Trustee, for deposit and credit to such Participant's Payment Account under the applicable Trust Agreement, in an amount equal to the principal and interest due on the Participant's Note on each Repayment Date. Unless otherwise instructed by the Participant, the Trustee shall first cause the respective Participant's funds, to the extent available, to be transferred from the Participants' general fund at the County Treasurer-Tax Collector's office to the Participant's Payment Account. The Trustee shall cause the balance, if any, required to be transferred in each Repayment Month to be deposited into each Participant's respective Proceeds Subaccount.

Additional Notes

Each Participant may at any time during the 2012-13 Fiscal Year issue or provide for the issuance of an additional note secured by a pledge of Pledged Revenues on a parity with the pledge of Pledged Revenues for the Notes (the "Parity Note"); provided that (i) such Participant shall have received confirmation from each rating agency rating its outstanding Note or Series of Note Participations related to the Note, that the issuance of such Parity Note (or related series of note participation if sold into a pool) will not cause a reduction or withdrawal of such rating agency's rating on the outstanding Note or Series of Note Participations related to the Note, (ii) the maturity date of any such Parity Note shall be later than the Participant's outstanding Note and (iii) such Participant shall have received the written consent of the credit provider, if any, to the issuance of the Parity Note.

Each Participant may also issue, upon satisfaction of certain conditions in the Participant's respective authorizing resolution, additional notes secured by a pledge of Pledged Revenues subordinate to the pledge of Pledged Revenues for the Notes.

SUMMARY OF THE NOTE RESOLUTIONS

Covenants of the Participants

In its respective Note Resolution, each Participant has approved and authorized, on its behalf, the execution of the respective Trust Agreement and its respective Note and has represented or covenanted, among other things, the following:

(A) The Participant has (or will have prior to the issuance of its Note) duly, regularly and properly adopted a preliminary budget for Fiscal Year 2012-13 setting forth expected revenues and expenditures and has complied with all statutory and regulatory requirements with respect to the adoption of such budget. The Participant will (i) duly, regularly and properly prepare and adopt its final budget for the Repayment Fiscal Year, (ii) provide to the credit provider, if any, the financial advisor to the Districts (for Series B Participants) and the Underwriters (or owner of the Series of Note Participations in the event of a private placement), promptly upon adoption, copies of such final budget and of any subsequent revisions, modifications or amendments thereto and (iii) comply with all applicable law pertaining to its budget.

(B) The sum of the principal amount of the Participant's Note plus the interest payable thereon, on the date of its issuance, will not exceed fifty percent (50%) of the estimated amounts of such Participant's uncollected taxes, income, revenue (including, but not limited to, revenue from the State and federal governments), cash receipts, and other moneys to be received or accrued by such Participant for

the general fund of such Participant and provided for or attributable to Fiscal Year 2012-13, all of which will be legally available to pay principal of and interest on the Note (exclusive of any moneys required to be used to repay a treasurer's loan, if any).

(C) The Participant has experienced an *ad valorem* property tax collection rate of not less than eighty-five percent (85%) of the average aggregate amount of *ad valorem* property taxes levied within the Participant's boundaries in each of the last five fiscal years for which information is available, and such Participant, as of the date of adoption of its Note Resolution and on the date of issuance of its Note, reasonably expects the County to collect at least eighty-five percent (85%) of such amount for Fiscal Year 2012-13.

(D) The Participant is not currently in default, on any debt obligation and, to the best knowledge of such Participant, has never defaulted on any debt obligation.

(E) The Participant and its appropriate officials have duly taken, or will take, all proceedings necessary to be taken by them, if any, for the levy, receipt, collection and enforcement of the Pledged Revenues in accordance with law for carrying out the provisions of its Note Resolution and its Note.

(F) Except for a Parity Note, if any, the Participant shall not incur any indebtedness secured by a pledge of its Unrestricted Revenues unless such pledge is subordinate in all respects to the pledge of Unrestricted Revenues under its Note Resolution.

(G) The Participant will maintain a positive general fund balance in Fiscal Year 2012-13.

Each of the Series B Participants will further certify that it has funded its Reserve for Economic Uncertainties for Fiscal Year 2011-2012 in at least the minimum amount recommended, and will fund its Reserve for Economic Uncertainties for Fiscal Year 2012-2013 in at least the minimum amount recommended by the State Superintendent of Public Instruction.

Events of Default

Pursuant to each respective Participant's Resolution, if any of the following events occurs, it is defined as and declared to be and to constitute an "Event of Default" under such Note Resolution:

(A) Failure by the Participant to make or cause to be made the deposits to its Payment Account or any other payment required to be paid under its Note Resolution on or before the date on which such deposit or other payment is due and payable;

(B) Failure by the Participant to observe and perform any covenant, condition or agreement on its part to be observed or performed under its Note Resolution, for a period of 15 days after written notice, specifying such failure and requesting that it be remedied, is given to the Participant by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration;

(C) Any warranty, representation or other statement by or on behalf of the Participant contained in its Note Resolution or the Purchase Contract (including its Pricing Confirmation), or in any instrument furnished in compliance with or in reference to its Note Resolution or the Purchase Contract or in connection with its Note, is false or misleading in any material respect;

(D) A petition is filed against the Participant under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 30 days after such filing, but the Trustee shall have

the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Owners' interests;

(E) The Participant files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law; and

(F) The Participant admits insolvency or bankruptcy or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Participant or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 30 days, but the Trustee shall have the right to intervene in the proceedings prior to the expiration of such 30 days to protect its and the Owners' interests.

Remedies

Whenever any Event of Default under any Note Resolution shall have happened and be continuing, the Trustee shall, in addition to any other remedies provided under the applicable Note Resolution or by law or under the respective Trust Agreement, have the right, at its option without any further demand or notice, to take one or any combination of the following remedial steps:

(1) Without declaring the affected Note to be immediately due and payable, require the related Participant to pay to the Trustee, for deposit into the Payment Account of the Participant in the Note Participation Payment Fund under the related Trust Agreement, an amount equal to the principal of its Note and interest thereon to maturity, plus all other amounts due under the related Note Resolution, and upon notice to the Participant the same shall become immediately due and payable by the Participant without further notice or demand; and

(2) Take whatever other action at law or in equity (except for acceleration of payment on the Note) which may appear necessary or desirable to collect the amounts then due and thereafter to become due under the related Note Resolution or to enforce any other of its rights under the related Note Resolution.

SUMMARY OF THE TRUST AGREEMENTS

General

Pursuant to the respective Trust Agreement, the Trustee is appointed to act as trustee with respect to each Series of the Note Participations, with the duty to hold each Series of Notes in trust until maturity for the benefit of the Owners of the respective Note Participations. The payments on the Notes shall be used for the punctual payment of the interest and principal evidenced and represented by the related Note Participations, and the Notes of a Series or payments thereon shall not be used for any other purpose while any of the related Note Participations remain Outstanding.

Deposit of the Notes, Note Proceeds and Note Payments

Pursuant to the respective Trust Agreement, each Series of Notes, as evidenced and represented by the respective Series of Note Participations, shall be irrevocably deposited with and pledged and transferred to the Trustee, which is the registered owner of each Note for the benefit of the Owners of the Note Participations and the payments on the Notes shall be used for the punctual payment of the interest

and principal evidenced and represented by each Series of Note Participations, and the Notes shall not be used for any other purpose while any Series of Note Participations remain Outstanding. This deposit, transfer and pledge shall constitute a first and exclusive lien on the principal and interest payments of the Notes for the foregoing purpose in accordance with the terms of the respective Trust Agreement.

The Trustee shall execute and deliver the Note Participations evidencing and representing the aggregate principal amount of the Notes. The obligation of each Participant to Owners is a several and not a joint obligation and is strictly limited to the Participant's repayment obligation under its Resolution and its Note. The net proceeds from the sale of the Note Participations will be deposited with the Trustee for the payment of certain costs of issuance and for deposit into the Proceeds Fund and credited to subaccounts of that Fund (the "Proceeds Subaccounts"), one of which shall be established for each of the Participants. All money in the Proceeds Fund shall be held by the Trustee in trust. Moneys in the Proceeds Subaccount of each Participant shall be disbursed to that Participant from time to time, as soon as practical, pursuant to a requisition of the Participant, for any purpose for which the Participant is authorized to expend moneys.

All principal and interest payments on the Notes shall be paid directly by the Participants to the Trustee. All principal and interest payments on the Notes received by the Trustee shall be held in trust by the Trustee under the terms of the applicable Trust Agreement and shall be deposited by it, as and when received, in the appropriate Payment Account within the Note Participation Payment Fund, which fund the Trustee shall maintain so long as any Note Participations are Outstanding, and all money in such fund shall be held in trust by the Trustee for the benefit of the Participant submitting such money until deposited in the Interest Fund and Principal Fund in accordance with the applicable Trust Agreement, whereupon such money shall be held in trust in such funds by the Trustee for the benefit and security of the Owners to the extent provided in the applicable Trust Agreement. Pursuant to each Participant's Note Resolution, each Participant is required to deposit amounts with the Trustee in the months identified as such Participant's Repayment Months. Any such deposit may take into consideration anticipated investment earnings on amounts deposited or in an investment agreement through the applicable Maturity Date. If any Participant fails to make the required deposits, the Trustee shall as soon as practical (but in any event within five Business Days) notify such Participant, Standard & Poor's Rating Service ("S&P") and Moody's Investors Service ("Moody's") of such failure.

Upon written instruction from any Authorized District Representative, to the extent that the Trustee holds moneys and/or securities in a Participant's Proceeds Subaccount, there shall be transferred to such Participant's Payment Account in the Note Participation Payment Fund from the Proceeds Subaccount of such Participant in any Repayment Month, the amount stated in such instruction, but not more than an amount equal to the percentages of the principal of and interest due on such Participant's Note at maturity for the corresponding Repayment Month designated on the face of each such Participant's Note.

Investments

Any money held by the Trustee in the Note Participation Payment Fund and the Proceeds Fund may, to the fullest extent practicable, be invested under one or more investment agreement(s) meeting the requirements of the respective Trust Agreements (the "Investment Agreements"); provided that, upon the request of any Participant, moneys held by the Trustee with respect to such Participant's Proceeds Subaccount or Payment Account of such Participant, shall be invested, by the Trustee in any of the other Permitted Investments as described in and under the terms of the respective Trust Agreement. The amounts held in the several Payment Accounts and Proceeds Subaccounts will be accounted for separately by the Trustee. See "INVESTMENT OF PARTICIPANT FUNDS" herein.

The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may at its sole discretion, for the purpose of any such deposit or investment, commingle any of the moneys held by it under the applicable Trust Agreement. The Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by it under the terms of and in accordance with the applicable Trust Agreement. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any interest or profits on such deposits and investments received by the Trustee shall be credited to the fund or account from which such investment was made.

Moneys held by the Trustee in the Costs of Issuance Fund, Principal Fund and the Interest Fund shall be invested in Permitted Investments as directed by the County, as representative of the Participants, in writing. "Permitted Investments" include each of the following to the extent then permitted by law:

(1) United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal;

(2) Any obligations which are then legal investments for moneys of the Participants under the laws of the State of California; *provided*, that if such investments are not fully insured by the Federal Deposit Insurance Corporation, such investments shall be, or shall be issued by entities the debt securities of which are, rated in the highest short-term or one of the two highest long-term rating categories by Moody's and S&P, including any fund for which the Trustee, or any of its affiliates provides management, advisory, or sponsorship service;

(3) Units of a money-market fund portfolio composed of obligations either issued by United States government sponsored enterprises or guaranteed by the full faith and credit of the United States of America rated in one of the two highest rating categories by Moody's and S&P; including any fund for which the Trustee or any of its affiliates provides management, advisory or sponsorship services;

(4) An investment agreement, including a repurchase agreement, with a financial entity, or with a financial entity whose obligations are guaranteed or insured by a financial entity, whose senior debt or investment contracts or obligations under its investment contracts are rated in one of the two highest long-term rating categories by Moody's and S&P or whose commercial paper rating is in the highest rating category of each such rating agencies or is collateralized by investments listed in subsection (1) hereof as required by S&P and Moody's to be rated in one of the two highest rating categories;

(5) The San Diego County Investment Pool;

(6) Any securities required or permitted to be used to collateralize an investment agreement, to the extent such securities are used to collateralize an investment agreement; or

(7) Any other investment rated in one of the two highest rating categories by Moody's and S&P approved by the Credit Provider (as defined in the Trust Agreement) and the County.

Events of Default

If any default in the payment of principal of or interest on a Note or any other "Event of Default" defined in a Note Resolution shall occur and be continuing, or if any default shall be made by a Participant in the performance or observance of any other of the covenants, agreements or conditions on

its part contained in the applicable Trust Agreement and such default shall have continued for a period of thirty (30) days after written notice thereof shall have been given to such Participant by the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding, then such default shall constitute an “Event of Default” under the applicable Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Note Participations at the time Outstanding shall be entitled, upon notice in writing to such Participant, to exercise the remedies provided to the owner of the Note then in default or under the Note Resolution pursuant to which it was issued; provided, that nothing contained in the applicable Trust Agreement shall affect or impair the right of action of any Owner to institute suit directly against the respective Participant to enforce payment of the obligation evidenced and represented by such Owner’s Note Participation.

The Owners of Note Participations, for purposes of the Trust Agreements and the Note Resolutions, to the extent of their interests, shall be treated as owners of the Notes and shall be entitled to all rights and security of the owners of Notes pursuant to each Note and Note Resolution and each respective Trust Agreement, and shall be treated for all purposes as owners of the Notes. The Trustee shall have the right: (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights under the applicable Trust Agreement against any Participant or any trustee, member, officer or employee thereof, and to compel such Participant or any such trustee, member, officer or employee thereof to observe or perform its or his duties under applicable law and the agreements, conditions, covenants and terms contained in the applicable Trust Agreement, or in the applicable Note and Note Resolution, required to be observed or performed by it or him; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or (c) by suit in equity upon the happening of any default under the applicable Trust Agreement to require any Participant and any trustee, member, officer and employee thereof to account as the trustee of any express trust.

Application of Funds Upon Event of Default

All moneys received by the Trustee pursuant to any right given or action taken upon the occurrence of an Event of Default pursuant to the applicable Trust Agreement shall be deposited into the segregated Payment Account of the Note Participation Payment Fund relating to the defaulting Participant’s Note and be applied by the Trustee after payment of its costs in accordance with the applicable Trust Agreement in the following order; *provided* (i) that all amounts in the Credit Fund shall be applied (without regard to payment of the Trustee’s costs in accordance with the applicable Trust Agreement) solely to payment of the principal of and interest evidenced and represented by the Note Participations, and *provided*, that the Trustee shall obtain and follow the instructions contained in an Opinion of Counsel and rebate or set aside for rebate from the specified funds held under the applicable Trust Agreement, subject to the prior payment in full of all amounts applicable to the respective Participant specified in clause (ii) above, any amount pursuant to such instructions required to be paid to the United States of America under the Internal Revenue Code of 1986, as amended, and the regulations issued or applicable thereunder:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all payments of interest evidenced and represented by the Note Participations then due in the order of the due date of such payments, and, if the amount available shall not be sufficient to pay in full any payment or payments coming due on the same date, then to the payment thereof ratably, according to the

amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal evidenced and represented by any Note Participations which shall have become due, in the order of their due dates, with interest on the overdue principal and interest represented by the Note Participations at a rate equal to the Default Rate and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Note Participations on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

INVESTMENT OF PARTICIPANT FUNDS

Pursuant to the Education Code, the Districts' operating funds are generally deposited into the County Treasury to the credit of the proper fund of the respective Participant. In the case of the Note Participations, the net proceeds attributable to such Participant will be initially credited to subaccounts of the Proceeds Fund, one of which shall be established for each Participant. See also "SUMMARY OF THE TRUST AGREEMENTS – Investments" herein and Appendix A – "COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – San Diego County Investment Pool" attached hereto.

THE PARTICIPANTS

The County and the Districts participating in the financing herein described and the principal amount of the Note Participations of each Series reflecting the principal amount of the Notes issued on behalf of the Participants are set forth below.

<u>Series A Note Participant</u>	<u>Principal Amount</u>
County of San Diego	\$ 50,000,000
 <u>Series B-1 Note Participants</u>	 <u>Principal Amounts</u>
Borrego Springs Unified School District	\$ 320,000
Cardiff School District	440,000
Chula Vista Elementary School District	24,000,000
Grossmont Union High School District	19,000,000
National School District	5,000,000
Oceanside Unified School District	15,000,000
Vista Unified School District	15,000,000
 <u>Series B-2 Note Participants</u>	 <u>Principal Amounts</u>
Carlsbad Unified School District	\$ 14,295,000
Encinitas Union School District	6,000,000
Escondido Union School District	5,000,000
Fallbrook Union High School District	3,780,000
San Dieguito Union High School District	18,225,000
 Total:	 \$ 176,060,000

LIMITATIONS ON REMEDIES

The source of repayment of the Note Participations is debt service payments on the respective Notes. A Participant is liable on its Note (even in the event that such Note becomes a Defaulted Note) only to the extent of its available revenues provided for or attributable to Fiscal Year 2012-13. If such available revenues are not sufficient to pay its Note or Defaulted Note, as the case may be, such Participant is not obligated to pay such Note or Defaulted Note from any other sources (including subsequent fiscal years' revenues). **The obligation of a Participant to make payments on or in respect of its Note is a several and not a joint obligation and is strictly limited to such Participant's repayment obligation under its Note Resolution and its Note, and to its Pledged Revenues.**

The rights of the Owners of the Note Participations are subject to certain limitations in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Note Participations, and the obligations incurred by the Participants, respectively, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Note Participations to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Participants are in possession of the taxes and other revenues that will be set aside and pledged to repay the Notes evidenced by the Note Participations and, following payment of these funds to the Trustee, these funds will be invested in the name of the Trustee for a period of time in the San Diego County Investment Pool or in an Investment Agreement. In the event of a petition for the adjustment of debts of any of the Participants under Chapter 9 of the federal bankruptcy code, a court might hold that the Owners of the Notes evidenced by the Note Participations do not have a valid and/or prior lien on the Pledged Revenues where such amounts are deposited in the San Diego County Investment Pool or in an Investment Agreement and may not provide the Owners of the Notes evidenced by the Note Participations with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds from the Repayment Fund that have been deposited in the San Diego County Investment Pool or in an Investment Agreement, the Owners would be unsecured (rather than secured) creditors of the Participants. There can be no assurance that the Owners could successfully so "trace" the Pledged Revenues.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Participants, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer’s election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes represented by the Note Participations is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (*i.e.*, debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the “original issue discount”). The Note Participations may be executed as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes.

However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Note Participations if the Note Participations are executed as short-term debt obligations and if the taxpayer elects original issue discount treatment.

Note Participations purchased, whether at original issuance or otherwise, for an amount higher than their principal amount on the Notes represented by such Note Participations payable at maturity (“Premium Notes”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes represented by the Note Participations. The Participants have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes represented by the Note Participants will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes represented by the Note Participations being included in gross income for federal income tax purposes, possibly from

the date of original issuance of the Note Participations. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Note Participations may adversely affect the value of, or the tax status of interest on, the Notes represented by the Note Participations. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the Participants referred to above requires each Participant that does not qualify as a "small governmental issuer" under the Code to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Note Participations which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes. Under the Code, if each Participant spends 100% of its pro rata share of the proceeds of the Note Participations within six months after initial delivery, there is no requirement that there be a rebate of investment profits in order for interest on the Notes represented by the Note Participations to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The Participants expect to satisfy this expenditure test or, if they fail to do so, to make any required rebate payment from moneys received or accrued during the 2012-13 Fiscal Year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the Participants to pay any such rebate. This would be an issue only if it were determined that the Participants' calculations of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, were incorrect.

Although Bond Counsel is of the opinion that interest on the Notes represented by the Note Participations is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Note Participations may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent holders from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment

of the Note Participations for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Participants, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Participants have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Note Participations ends with the issuance of the Note Participations, and, unless separately engaged, Bond Counsel is not obligated to defend the Participants or the Beneficial Owners regarding the tax-exempt status of the Note Participations in the event of an audit examination by the IRS. Under current procedures, parties other than the Participants and their appointed counsels, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Participants legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Note Participations for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Note Participations, and may cause the Participants or the Beneficial Owners to incur significant expense.

The form of proposed opinion of Bond Counsel is set forth in APPENDIX F of this Official Statement. Bond Counsel expresses no opinion therein on the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Note Participations.

LITIGATION

There is no litigation now pending or to the knowledge of the respective Participants threatened (1) to restrain or enjoin the issuance or sale of the Notes or the execution and delivery of the Note Participations; (2) questioning or affecting the validity of the Notes or the Note Participations or the Note Resolutions; or (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes or the Note Participations.

RATINGS

Fitch Ratings, Moody's and Standard & Poor's have rated the Series A Note Participations "F1+" "MIG 1" and "SP-1+", respectively. Standard & Poor's has rated each of the Series B-1 Note Participations and the Series B-2 Note Participations "SP-1+." The ratings reflect only the views of the rating agencies and any explanation of the significance of such ratings and any ratings on any of the Participants' outstanding obligations may be obtained only from such rating agencies as follows: Fitch Ratings, One State Street Plaza, New York, New York 10004, Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, or any of them, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the respective Note Participations. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LEGAL MATTERS

Legal matters incident to the delivery of the Note Participations are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F. As Bond Counsel, Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, Los Angeles, California, Underwriters' Counsel.

UNDERWRITING

The Underwriters identified on the cover page hereof (the "Underwriters") have jointly and severally agreed, subject to certain conditions, to purchase the Note Participations. The aggregate purchase price for the Series A Notes shall be \$50,860,504.40 (consisting of the \$50,000,000.00 aggregate principal amount of the Series A Notes, plus a premium of \$903,000.00, less \$42,495.60 of Underwriters' discount). The aggregate purchase price for the Series B-1 Notes shall be \$79,485,297.96 (consisting of the \$78,760,000.00 aggregate principal amount of the Series B-1 Notes, plus a premium of \$798,626.40, less \$73,328.44 of Underwriters' discount). The aggregate purchase price for the Series B-2 Notes shall be \$47,919,519.86 (consisting of the \$47,300,000.00 aggregate principal amount of the Series B-2 Notes, plus a premium of \$663,619.00, less \$44,099.14 of Underwriters' discount). The Purchase Contract provides that the Underwriters will purchase all the Note Participations if any are purchased. The Note Participations may be offered and sold by the Underwriters to certain dealers and others at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriters.

The following two sentences have been provided by Citigroup Global Markets Inc. ("Citigroup"), one of the Underwriters for the Note Participations: Citigroup Inc., parent company of Citigroup Global Markets Inc., an Underwriter of the Note Participations, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Note Participations.

The following two sentences have been provided by De La Rosa & Co., one of the Underwriters for the Note Participations: De La Rosa & Co., one of the Underwriters of the Note Participations, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue price. Pursuant to said agreements, if applicable to the Note Participations, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Note Participations with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

The following two paragraphs have been provided by the Underwriters:

Citigroup and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Further, Citigroup and De La Rosa & Co and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, Citigroup and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. In the ordinary course of their various business activities, De La Rosa & Co. and its affiliates may make or hold a broad array of investments and actively trade debt securities for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

FINANCIAL ADVISOR

Government Financial Strategies inc., Sacramento, California, serves as the Financial Advisor to the Districts in connection with the execution and delivery of the Series B Note Participations. The Financial Advisor to the Districts has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

Pursuant to the respective Trust Agreements and in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”), the Participants have agreed to give, or cause to be given, through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), notice of the occurrence of any of the following Listed Events with respect to the Notes not later than ten (10) business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB); (6) tender offers; (7) defeasances; (8) rating changes; or (9) bankruptcy, insolvency, receivership or similar event of an obligated person, as defined in the Rule. In addition, the Participants have agreed to provide, or cause to be provided, to EMMA notice of the occurrence of any of the following Listed Events with respect to the Notes, if material, no later than ten (10) business days after the occurrence of the event: (i) unless described in (5) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of its Note and the Note Participations, or other material events affecting the tax status of its Note and the Note Participations; (ii) modifications to rights of Note Participation holders; (iii) optional, unscheduled or contingent Note Participation calls; (iv) release, substitution, or sale of property securing repayment of the Note Participation; (v) non-payment related defaults; (vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or (vii) appointment of a successor or additional trustee or the change of name of a trustee.

The undertakings described above and set forth in the respective Trust Agreements may be amended and any provision of such undertakings may be waived, *provided* the following conditions are satisfied: (a) if the amendment or waiver relates to events described in the preceding paragraph, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of any of the Participants or type of business conducted thereby; (b) the undertakings, as proposed to be amended or waived, would, in the

opinion of nationally recognized bond counsel or counsel expert in federal securities laws addressed to the Participants and the Trustee, have complied with the requirements of the Rule at the time of the primary offering of the Note Participations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) the proposed amendment or waiver either (i) is approved by the Owners in the manner provided in the applicable Trust Agreement for amendments thereto with the consent of Owners, or (ii) does not, in the opinion of the nationally recognized bond counsel or counsel expert in federal securities laws addressed to the Participants and the Trustee, materially impair the interests of Owners or beneficial owners of the Note Participations; and (d) the applicable Participant shall have delivered copies of such opinions and amendment to EMMA.

The Participants' obligations under the applicable Trust Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes and the Note Participations. The undertakings in the applicable Trust Agreement relating to continuing disclosure shall inure solely to the benefit of the Participants, the Trustee, the Dissemination Agent, the Underwriters and the Owners and beneficial owners, from time to time of the Note Participations, and shall create no rights in any other person or entity.

These covenants have been made in order to assist the Underwriters in complying with the Rule. The County has complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports or notices of material events. The Series B Participants have complied in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports or notices of material events, except as otherwise indicated in Appendix B attached hereto.

Copies of the County's Annual Reports and notices of material event filings are available at Digital Assurance Certification, L.L.C. website, www.dacbond.com and filed at the Municipal Securities Rulemaking Board. The information presented there is not incorporated by reference in this Official Statement and should not be relied upon in making an investment decision with respect to the Note Participations.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Participants and the purchasers or Owners of any of the Note Participations. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the County nor the other Participants have entered into any contractual arrangement to provide information on a continuing basis to investors or any other party. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the Participants since the date hereof. The delivery of this Official Statement has been duly authorized by the Participants.

COUNTY OF SAN DIEGO, on behalf of itself and
each District listed in the inside cover page hereof.

By: Donald F. Steuer
Chief Financial Officer

APPENDIX A

COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A
COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC
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THE COUNTY

General

The County of San Diego (the “County”) is the southernmost major metropolitan area in the State of California (the “State”). The County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange County, and inland 75 miles to Imperial County. Riverside and Orange Counties form the northern boundary. The County is approximately the geographic size of the State of Connecticut. The County’s Fiscal Year 2011-12 Adopted Operational Plan (the “Fiscal Year 2011-12 Adopted Budget”) is approximately \$4.86 billion, of which \$3.74 billion relates to the County’s General Fund budget. The County’s Fiscal Year 2012-13 Proposed Operational Plan (defined herein) is approximately \$4.77 billion, of which \$3.69 billion relates to the County’s General Fund budget.

The County was incorporated on February 18, 1850, and functions under a charter adopted in 1933, as subsequently amended from time to time. The County is governed by a five-member Board of Supervisors (the “Board of Supervisors”) elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer (the “CAO”) and the County Counsel. The CAO appoints the Chief Financial Officer and the Auditor and Controller. Other elected officials include the Assessor/Recorder/County Clerk, the District Attorney, the Sheriff and the Treasurer-Tax Collector.

Many of the County’s functions are required under County ordinances or by State or federal mandate. State and federally mandated programs, primarily in the social and health services areas, are directed to be maintained at certain minimum levels, which may, under some conditions, limit the County’s ability to control its budget. However, under designated State and federal programs, eligible costs are subject to reimbursement according to specific guidelines.

The County is the delivery system for federal, State and local programs. The County provides a wide range of services to its residents including: (i) regional services such as district attorney, public defender, probation, medical examiner, jails, elections, public health, welfare, mental health, aging and child welfare; (ii) basic local services such as planning, parks, libraries and Sheriff’s patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (iii) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County.

County of San Diego Employees

General. Table 1 below sets forth the number of County employees for Fiscal Years 2002-03 through 2011-12:

TABLE 1
TOTAL COUNTY EMPLOYEES⁽¹⁾

<u>Year</u>	<u>Total Employees</u>
2002-03	17,835
2003-04	16,949
2004-05	16,418
2005-06	16,195
2006-07	16,471
2007-08	16,484
2008-09	16,176
2009-10	15,522
2010-11	15,067
2011-12 ⁽²⁾	15,037

Source: County of San Diego Department of Human Resources.

⁽¹⁾ Excludes temporary employees of the County. Data as of June 30 of the indicated year.

⁽²⁾ As of May 1, 2012.

County employees are represented by nine unions representing 25 bargaining units. The unions represent approximately 88% of the County's employees and include the Deputy Sheriffs' Association of San Diego County (the "Deputy Sheriffs' Association"); Deputy District Attorneys Association; Service Employees International Union ("SEIU"), Local 221, San Diego Probation Officers' Association; District Attorney Investigators Association; San Diego County Deputy County Counsels Association; Public Defender Association of San Diego County; San Diego County Supervising Probation Officers' Association, and Association of San Diego County Employees. The County has labor agreements with the Deputy Sheriffs' Association effective through June 26, 2014 and all other unions, effective through June 23, 2013. Agreements with all unions, except five bargaining units of SEIU, Local 221 and The Association of San Diego County Employees, include reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, and a one-time salary payment equivalent to 2% of base pay. The County labor agreements for the remaining five bargaining units of SEIU Local includes reductions to the County's portion of the employee paid retirement offset, flexible benefit increases, a one-time monetary payment of \$750 in Fiscal Year 2011-12 and a one-time monetary payment equivalent to 1% of base pay in Fiscal Year 2012-13. The agreement with The Association of San Diego County Employees includes reductions to the County's portion of the employee paid offset, flexible benefit increases and a one-time monetary payment equivalent to 1.5% of base pay. The remaining employees are unrepresented.

Negotiated Retirement Amendments. The County's existing retirement system, as described under the caption "San Diego County Employees Retirement Association" herein, was modified in connection with certain collective bargaining agreements entered into by the County. The SEIU Local 221, Deputy District Attorneys Association, Public Defenders Association of San Diego County, San Diego County Deputy County Counsels Association and the County negotiated amendments to the County's retirement system. A new "Tier B" retirement benefit was created for newly hired general employees in all bargaining units effective August 28, 2009. The new tier has a benefit formula described as: 2.62% at 62, highest 3 years final average compensation, minimum retirement age of 55 and a 2%

maximum cost of living adjustment (“COLA”). The retirement benefit formula for general employees active prior to the implementation of the new tier is described as: 3% at 60, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. For new employees represented by the Deputy Sheriffs’ Association, San Diego County Supervising Probation Officers’ Association, San Diego Probation Officers’ Association and the District Attorney Investigators Association, who are classified as safety, a new tier with the following benefit formula was created: 3% at 55, highest 3 years final average compensation, minimum retirement age of 50 and a 2% maximum COLA. The benefit formula for safety employees active prior to the implementation of the new tier is described as: 3% at age 50, highest 1-year final average compensation, minimum retirement age of 50 and a 3% maximum COLA. Pursuant to State law, exceptions to the aforementioned minimum retirement ages exist for general employees with at least 30 years of service and safety employees with at least 20 years of service.

The County recently negotiated amendments to the Employer Offsets (herein defined) for the 11 bargaining units of SEIU Local 221, the Deputy District Attorneys Association, the District Attorney Investigators Association, the Public Defender Association of San Diego County, the San Diego County Deputy County Counsels Association, the San Diego Supervising Probation Officers’ Association, the San Diego Probation Officers’ Association and the Deputy Sheriffs’ Association. Pursuant to the amendments, the Employer Offsets will be reduced over two fiscal years with start dates varying from July 1, 2011 to November 18, 2011, based on the applicable bargaining unit. The Employer Offsets rates for Tier I/A employees with more than 5 years of service will be reduced by either 2.5% or 4% while the Employer Offsets rates for Tier I/A employees with less than 5 years of service will be reduced by 1.25%, 2% or 2.5%, based on the applicable bargaining unit. The Employer Offsets rates for Tier B employees with more than 5 years of service will be reduced by either 3.5% or 5% while the Employer Offsets rates for Tier B employees with less than 5 years of service will be reduced by 1.75%, 2.5% or 3.5%, based on the applicable bargaining unit.

The County recently negotiated a contract with The Association of San Diego County Employees. Pursuant to the contract, the Employer Offsets will be reduced over two fiscal years starting November 8, 2011. The Employer Offsets rates for Tier I/A employees with more than 5 years of service will be reduced by 2.5% while the Employer Offsets rates for Tier I/A employees with less than 5 years of service will be reduced by 1.25%. The Employer Offsets rates for Tier B employees with more than 5 years of service will be reduced by 5% while the Employer Offsets rates for Tier B employees with less than 5 years of service will be reduced by 1.75%.

In July 2012, the Employer Offsets rates for non-safety employees will range from 1% to 7% of their salary, and the Employer Offsets rates for safety employees will range from 1% to 11.755% of their salary.

COUNTY FINANCIAL INFORMATION

The following is a summary of certain financial information with respect to the County, including the County’s property tax collections, General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, Adopted and Amended General Fund Budgets for Fiscal Years 2010-11 and 2011-12, pension plan, risk management program, pending litigation and outstanding indebtedness.

Assessed Valuations

The assessed valuation of property in the County is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are

reported in compliance with the requirements of Proposition 13. Generally, property can only be reappraised to market value upon a change in ownership or completion of new construction. Pursuant to Article XIII A of the State Constitution, the assessed value of property that has not incurred a change of ownership or new construction shall be adjusted annually to reflect inflation at a rate not to exceed 2% per year as shown in the California consumer price index. In the event of declining property value caused by substantial damage, destruction, economic or other factors, Article XIII A of the State Constitution allows the assessed value to be reduced temporarily to reflect the lower market value. For the definition of full cash value and more information on property tax limitations and adjustments, see “Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations – Article XIII A” herein.

The County Assessor determines and enrolls a value for each parcel of taxable real property in the County every year in accordance with Proposition 13. Annually, property owners may appeal the assessed value of their property. Additionally, under the provisions of Proposition 8, property owners may apply for a temporary reduction in the assessed value when the market value of the real property, as of January 1 of the applicable tax year, falls below its assessed value. Once reduced, the County Assessor must annually review the value of the property until the factored Proposition 13 value is fully restored (adjusted with the annual consumer price index, not to exceed 2%). For Fiscal Year 2010-11, the County Assessor received 15,748 appeals, including appeals relating to real property, business personal property, boats and airplanes. Through May 1, 2012 Fiscal Year 2011-12, the County Assessor had received 19,097 appeals. Table 2 below sets forth the number of appeals received by the County Assessor and the number of affected parcels since Fiscal Year 2002-03. See “Economic and Demographic Information – Foreclosures; Notices of Loan Default” herein.

TABLE 2
ASSESSMENT APPEALS
Fiscal Years 2002-03 through 2011-12

<u>Fiscal Year</u>	<u>Appeals⁽¹⁾</u>	<u>Parcels</u>
2002-03	3,074	3,666
2003-04	2,700	3,035
2004-05	2,573	3,932
2005-06	2,486	2,752
2006-07	3,334	3,601
2007-08	13,150	15,872
2008-09	42,624	47,865
2009-10	21,772	26,635
2010-11	15,748	19,589
2011-12 ⁽²⁾	19,097	27,810

Source: County of San Diego Assessor/Recorder/County Clerk.

⁽¹⁾ Appeal may relate to the reassessment for one or more parcels.

⁽²⁾ As of May 1, 2012.

Ad Valorem Property Taxation

Table 3 below sets forth the assessed valuation of property within the County subject to taxation for Fiscal Years 2002-03 through 2011-12:

TABLE 3
ASSESSED VALUATION OF PROPERTY
SUBJECT TO AD VALOREM TAXATION
Fiscal Years 2002-03 through 2011-12
(In Thousands)

<u>Fiscal Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Assessed Valuation</u>	<u>Exemption⁽¹⁾</u>	<u>Net Assessed Valuation for Tax Purposes⁽²⁾</u>
2002-03	\$ 93,104,455	\$133,459,423	\$11,773,210	\$238,337,088	\$ 5,474,711	\$232,862,377
2003-04	103,818,122	145,973,945	11,949,627	261,741,694	6,742,042	254,999,652
2004-05	117,332,258	159,013,240	11,804,416	288,149,914	7,332,153	280,817,761
2005-06	137,276,347	175,791,219	12,807,092	325,874,658	7,916,172	317,958,485
2006-07	158,460,301	192,889,631	13,201,802	364,551,734	8,553,542	355,998,192
2007-08	176,074,513	208,732,483	13,916,210	398,723,206	9,427,705	389,295,500
2008-09	184,573,765	217,641,565	14,496,587	416,711,917	10,336,971	406,374,945
2009-10	177,035,056	215,309,621	15,194,665	407,539,342	11,244,820	396,294,522
2010-11	173,642,233	214,286,031	14,639,554	402,567,818	11,790,769	390,777,049
2011-12	174,658,242	216,383,122	14,483,422	405,524,786	12,537,490	392,987,296

Source: County of San Diego Auditor and Controller.

⁽¹⁾ Exemption figures include veterans, church, welfare, religious, college and cemetery exemptions.

⁽²⁾ Net Assessed Valuation for Tax Purposes figures include local secured, unsecured manufactured home and possessory interest, state unitary and redevelopment valuation.

Table 4 below sets forth the approximate tax levied against the ten largest property taxpayers in the County for Fiscal Year 2011-12. These tax payments represent approximately 4.18% of the total secured property tax levied by the County for Fiscal Year 2011-12, which amount is \$4,537,672,296.

TABLE 4
TEN LARGEST TAXPAYERS
Fiscal Year 2011-12

<u>Property Owners</u>	<u>Business Area</u>	<u>Approximate Tax</u> ⁽¹⁾
San Diego Gas & Electric Company	Gas and Electric Utility	\$72,700,025
Southern California Edison Co.	Electric Utility	29,326,274
San Diego Family Housing LLC	Real Estate	14,971,826
Kilroy Realty LLP	Real Estate	14,827,845
Qualcomm Inc.	Telecommunication	14,298,177
Irvine Co.	Real Estate	13,623,557
Pacific Bell Telephone Company	Telecommunication	11,548,983
O C/S D Holdings LLC	Real Estate	6,426,526
Arden Realty LLP	Real Estate	6,213,805
Genentech Inc	Biotechnology	5,604,150

Source: County of San Diego Auditor and Controller.

⁽¹⁾ Approximate Tax includes local secured and state unitary 1% tax, debt service tax and special assessments.

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation. For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate assessment rolls. The “secured roll” is that assessment roll containing locally assessed property secured by a statutory lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes on land and the improvements located on the land. Other property, such as business personal property, boats and aircraft, is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional voter approved debt service and fixed charge assessments on behalf of any taxing agency and special districts within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a ten percent penalty attaches. A ten dollar cost also applies to all delinquent second installments. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30th. Such property may thereafter be redeemed by payment of the delinquent taxes, the ten percent delinquency penalty, the ten dollar cost, a thirty-three dollar per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1

and continuing until date of redemption (collectively, the “Redemption Amount”). If taxes remain unpaid for five years, the property becomes subject to the Treasurer-Tax Collector’s power to sell.

Property taxes on the unsecured roll are due on the lien date being assessed (January 1). A due date, or date to pay by, is set based on the enrollment date of the bill. If not paid in full, a ten percent penalty is added to the bill on September 1, or on the first business day of the second month following the enrollment date and an additional penalty of one and one-half percent per month begins to accrue on November 1, or on the first business day of the third month after the date of enrollment. Penalties are posted based on the type of unsecured bill and the time of year it is enrolled. The taxing authority has a number of ways of collecting delinquent unsecured property taxes, which include: filing a Certificate of Tax Lien for recordation in the County Recorder’s office, and/or other jurisdictions; a civil action against the taxpayer; and seizure and/or sale of assets belonging or assessed to the taxpayer.

Pursuant to State Law, the County collects property tax administrative fees from cities and special districts. State law exempts school districts from paying such fees.

Secured Tax Rolls Statistics

Table 5 below sets forth information relating to the County’s secured tax roll and assessed value of property for Fiscal Years 2002-03 through 2011-12.

TABLE 5
SECURED TAX ROLL STATISTICS
Fiscal Years 2002-03 through 2011-12

Fiscal Year	Total Bills	Total Gross Assessed Value⁽¹⁾	Total Tax Amount⁽²⁾	Delinquent Tax Bills	Delinquent Tax Amount⁽³⁾	Delinquent Tax Amount as Percent of Total Tax Amount
2002-03	885,452	\$227,376,419,310	\$2,552,212,549	29,769	\$39,156,463	1.53%
2003-04	898,222	250,071,362,845	2,831,188,116	30,244	41,183,548	1.45
2004-05	912,850	276,651,738,142	3,141,818,961	38,065	49,379,983	1.57
2005-06	934,416	313,592,785,425	3,565,874,923	46,386	70,146,925	1.97
2006-07	954,808	350,431,485,633	3,964,281,859	54,013	111,504,199	2.81
2007-08	968,699	385,014,085,589	4,364,915,835	58,579	163,865,524	3.75
2008-09	976,296	402,408,931,673	4,558,064,753	49,845	165,660,374	3.63
2009-10	978,170	392,680,850,836	4,509,795,774	40,214	120,563,754	2.67
2010-11	979,128	388,209,168,091	4,474,096,680	33,228	80,367,474	1.80
2011-12 ⁽⁴⁾	979,386	391,319,634,514	4,537,672,296	34,000	81,700,000	1.80

Source: County of San Diego Auditor and Controller.

⁽¹⁾ Total Gross Assessed Value figures include local secured and state unitary valuation.

⁽²⁾ Total Tax Amount includes local secured and state unitary 1% tax, debt service tax and special assessments.

⁽³⁾ Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.

⁽⁴⁾ Total Bills, Total Gross Assessed Value and Total Tax Amount figures are actual. Remaining columns are estimated.

Liens and Redemption

Properties may be redeemed under a five-year installment plan by paying current taxes plus a minimum annual payment of 20% of the original redemption amount, a payment plan set-up fee of sixty-three dollars, and an annual plan maintenance fee of seventy-one dollars. A delinquent taxpayer may enter into the installment plan at any time up to the June 30 occurring five years after the property becomes tax-defaulted. Redemption interest accrues at 1-1/2% per month on the unpaid principal balance of the installment plan redemption amount during the period of the installment plan. The property becomes subject to sale by the County Treasurer-Tax Collector if taxes are unpaid after June 30 of the fifth year of default unless the property is on an installment plan of redemption prior to the power to sell arising.

Financial Statements

Table 6 below sets forth the audited General Fund Balance Sheet for Fiscal Years 2008-09 through 2010-11. Table 7 sets forth the audited General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for Fiscal Years 2006-07 through 2010-11.

TABLE 6
COUNTY OF SAN DIEGO
GENERAL FUND BALANCE SHEET
For Fiscal Years 2008-09 through 2010-11
(In Thousands)

	<u>Audited 2009⁽²⁾</u>	<u>Audited 2010⁽²⁾</u>	<u>Audited 2011⁽²⁾</u>
ASSETS			
Pooled Cash and Investments	\$ 959,102	\$ 1,121,752	\$ 1,286,610
Cash with Fiscal Agents	14	31	20
Investments with Fiscal Agents	2	2	2
Property Taxes Receivables, net	221,671	195,499	149,980
Receivables, net	373,985	338,969	465,866
Due from Other Funds ⁽¹⁾	74,128	67,382	34,625
Prepaid Items	13	62	48
Inventories	8,774	9,418	10,187
Restricted Assets – Cash with Fiscal Agents	179	146	156
Restricted Assets – Lease Receivable	9,297	8,454	6,299
TOTAL ASSETS	<u>\$ 1,647,165</u>	<u>\$ 1,741,715</u>	<u>\$ 1,953,793</u>
LIABILITIES			
Accounts Payable	\$ 71,761	\$ 96,014	\$ 101,157
Accrued Payroll	32,692	36,576	39,890
Due to Other Funds ⁽¹⁾	40,480	36,888	36,813
Deferred Revenues	141,695	130,190	128,164
Unearned Revenue	170,499	221,939	253,389
TOTAL LIABILITIES	<u>\$ 457,127</u>	<u>\$ 521,607</u>	<u>\$ 559,413</u>
FUND BALANCES			
(Audited 2009, 2010)⁽³⁾			
Reserved Fund Balance:			
Reserved for Loans, Due From Other Funds and Prepaids	\$ 6,922	\$ 6,765	\$
Reserved for landfill closure costs	1,069	927	
Reserved for Inventories	8,774	9,418	
Reserved for Realignment Health, Mental Health and Social Services	74,620	0	
Reserved for Other Purposes	175,049	145,147	
Unreserved:			
Designated for Encumbrances	215,793	267,340	
Designated for Economic Uncertainty	0	100,000	
Designated for Realignment Health, Mental Health and Social Services	0	73,729	
Designated for Unforeseen Catastrophic Events	55,500	55,500	
Designated for Subsequent Years' Expenditures	75,468	66,815	
Designated for landfill postclosure and landfill closure costs	852	852	
Undesignated	575,991	493,615	

(Table continued on subsequent page.)

(Table continued from prior page.)

(Audited 2011)⁽³⁾

Nonspendable:

Not in Spendable Form:

Loans, Due From Other Funds and Prepaids	1,070
Inventories and deposits with others	10,187

Restricted for:

Grantors - Housing Assistance	55,338
Donations	3,363
Laws or regulations of other governments:	
Maintenance, operation and construction of	
criminal justice facilities and courthouses	24,411
Other Purposes	131,844

Committed to:

Realignment Health, Mental Health and Social Services	69,297
Unforeseen Catastrophic Events	55,500
Capital projects' funding	353,165
Other Purposes	36,777

Assigned to:

Other Purposes	40,614
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Unassigned

TOTAL FUND BALANCES	<u>\$ 1,190,038</u>	<u>\$ 1,220,108</u>	<u>\$ 1,394,380</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,647,165</u>	<u>\$ 1,741,715</u>	<u>\$ 1,953,793</u>

Source: County of San Diego Auditor and Controller.

- (1) Amounts are receivables and payables between General Fund and other County funds based on actual or estimated claims outstanding.
- (2) To conform with Governmental Accounting Standards Board (GASB) Statements 33 and 34, activities from various Internal Agency Funds are included in the General Fund.
- (3) In Fiscal Year 2010-11, the County implemented GASB Statement 54 entitled "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of GASB 54 resulted in the above changes in the presentation of the General Fund's fund balance between Fiscal Year 2009-10 and Fiscal Year 2010-11.

TABLE 7
COUNTY OF SAN DIEGO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For Fiscal Years 2006-07 through 2010-11
(In Thousands)

	<u>Audited</u> <u>2006-07</u>	<u>Audited</u> <u>2007-08</u>	<u>Audited</u> <u>2008-09</u>	<u>Audited</u> <u>2009-10</u>	<u>Audited</u> <u>2010-11</u>
Revenues:					
Taxes	\$ 842,396	\$ 928,066	\$ 930,584	\$ 904,515	\$ 894,222
Licenses, Permits and Franchise Fees	33,752	34,735	35,838	40,967	42,643
Fines, Forfeitures and Penalties	55,248	59,782	56,252	53,996	51,826
Revenue From Use of Money and Property	51,894	48,381	28,396	23,171	24,479
Aid From Other Governmental Agencies:					
State	851,309	849,783	878,902	814,553	904,749
Federal	704,440	792,430	729,675	824,821	818,217
Other	92,769	71,663	134,026	91,478	57,874
Charges for Current Services	269,282	267,624	282,151	277,252	320,966
Other Revenue	33,227	30,705	61,847	33,757	51,542
Total Revenues	<u>\$ 2,934,317</u>	<u>\$ 3,083,169</u>	<u>\$ 3,137,671</u>	<u>\$ 3,064,510</u>	<u>\$ 3,166,518</u>
Expenditures:					
Current:					
General Government	\$ 224,261	\$ 270,236	\$ 236,874	\$ 197,124	\$ 209,293
Public Protection	1,059,826	1,135,288	1,126,903	1,055,315	1,079,836
Public Ways and Facilities	1,369	5,907	690	10,063	5,543
Health and Sanitation	539,954	593,104	630,633	635,148	671,276
Public Assistance	928,234	987,730	1,039,496	1,034,340	1,055,530
Education	1,157	1,101	808	906	957
Recreation and Cultural	24,509	29,606	29,274	28,102	30,637
Capital Outlay	17,190	11,453	8,059	27,184	21,965
Debt service:					
Principal ⁽¹⁾	--	--	32,125	28,777	26,735
Interest and Fiscal Charges	10,843	5,169	12,255	17,025	15,044
Payment to Refunded Bond Escrow Agent	0	0	0	4,436	0
Total Expenditures	<u>\$ 2,807,343</u>	<u>\$ 3,039,594</u>	<u>\$ 3,117,117</u>	<u>\$ 3,038,420</u>	<u>\$ 3,116,816</u>
Excess (Deficiency) of Revenues over (under) Expenditures	\$ 126,974	\$ 43,575	\$ 20,554	\$ 26,090	\$ 49,702
Other Financing Sources (Uses):					
Sale of Capital Assets	\$ 130	\$ 41	\$ 29	\$ 338	\$ 414
Refunding Bonds Issued ⁽²⁾	0	0	443,515	0	0
Payment to Escrow Agent/Refunded Bond ⁽²⁾	0	0	(441,038)	0	0
Transfers In ⁽³⁾	283,535	257,890	230,296	226,039	274,448
Transfers Out ⁽⁴⁾	(152,854)	(236,400)	(285,232)	(223,042)	(151,061)
Total Other Financing Sources (Uses)	<u>\$ 130,811</u>	<u>\$ 21,531</u>	<u>\$ (52,430)</u>	<u>\$ 3,335</u>	<u>\$ 123,801</u>
Net Change in Fund Balance	<u>\$ 257,785</u>	<u>\$ 65,106</u>	<u>\$ (31,876)</u>	<u>\$ 29,425</u>	<u>\$ 173,503</u>
Fund Balances at Beginning of Year	898,885	1,155,082	1,220,466	1,190,038	1,220,108
Increase (Decrease) in Reserve for Inventories	(1,588)	278	1,448	645	0
Increase (Decrease) in Nonspendable Inventories					769
Fund Balances at End of Year	<u>\$ 1,155,082</u>	<u>\$ 1,220,466</u>	<u>\$ 1,190,038</u>	<u>\$ 1,220,108</u>	<u>\$ 1,394,380</u>

Source: Comprehensive Annual Financial Report of the County.
(Table continued on subsequent page.)

(Table continued from prior page.)

- (1) Represents various base rental payments made to the San Diego County Capital Asset Leasing Corporation (“SANCAL”) and the San Diego Regional Building Authority (“SDRBA”) treated as debt service payments in the General Fund as SANCAL and the SDRBA are blended component units of the County. Prior to Fiscal Year 2008-09, the base rental payments to SANCAL were treated as “Transfers Out” as noted in the “Transfers Out” note below, and base rental payments to the SDRBA were treated as General Government expenditures.
- (2) In Fiscal Year 2008-09, the County issued \$443.515 million Series 2008 Taxable Pension Obligation Bonds. As part of this transaction, \$441.038 million was transferred to an escrow agent to advance refund the outstanding 2002B Bonds, Subseries B1 and B2-4 Auction Rate Securities and to pay future interest payments. The transaction is further described in Note 13 “Long-Term Debt” in the Notes to the Financial Statements of the County’s Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009.
- (3) Revenues from the Public Safety Augmentation Sales Tax (Proposition 172) and the tobacco securitization proceeds are recognized in the Special Revenue funds and treated as operating transfers when moved to the General Fund to reimburse expenditures incurred.
- (4) For all fiscal years presented, “Transfers Out” generally represents contributions to the Pension Obligation Bond fund; contributions to capital funds for General Fund projects; and, County contributions to the Library fund and the In-Home Supportive Services (“IHSS”) Public Authority fund. “Transfers Out” for Fiscal Years 2006-07 and 2007-08 also represent annual base rental payments to SANCAL.

General Fund Budget

The Board of Supervisors is required by State law to adopt a balanced annual budget no later than October 2 of each year. The County General Fund finances the legally authorized activities of the County not provided for in other restricted funds. General Fund revenues are derived from such sources as taxes, licenses, permits and franchises, fines, forfeitures and penalties, use of money and property, aid from other governmental agencies, charges for current services and other revenue. General Fund expenditures and encumbrances are classified by the functions of public safety, health and human services, land use and environment, community services, finance and general government and other. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by a four-fifths vote of the Board of Supervisors.

To ensure that the expenditures do not exceed authorized levels or available financing sources, quarterly reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or freezing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to freeze expenditures in other accounts within the affected department or to transfer available resources to offset the added expenditure requirement. California counties are not permitted by State law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services. The Chief Financial Officer is responsible for monitoring and reporting expenditures within budgeted appropriations.

Fiscal Year 2011-12 Budget and Financial Position of the County

The Fiscal Year 2011-12 Adopted Budget for the County’s General Fund included expenditures of approximately \$3.74 billion and revenues and other financing sources of approximately \$3.74 billion. In accordance with the normal practice of the County, the Fiscal Year 2011-12 Adopted Budget has been adjusted to reflect carry-over appropriations from the prior fiscal year and program needs not included in the Fiscal Year 2011-12 Adopted Budget. As of March 31, 2012, the County’s Fiscal Year 2011-12 General Fund Amended Budget (the “Fiscal Year 2011-12 Amended Budget”) included expenditures of \$4.226 billion and revenues and other financing sources of \$4.226 billion. As of March 31, 2012, as reported in the Fiscal Year 2011-12 Third Quarter Operational Plan Status Report and Budget Adjustments (the “Third Quarter Report”) to be presented to the Board of Supervisors on May 8, 2012, based on the first nine months of Fiscal Year 2011-12, the County projected that its General Fund expenditures for Fiscal Year 2011-12 would be below the Fiscal Year 2011-12 Amended Budget by

\$294.3 million and its General Fund revenues and other financing sources would be below the Fiscal Year 2011-12 Amended Budget by \$111.7 million. The net variance was a projected savings to the County's General Fund of \$182.6 million, which would be added to any remaining unreserved and undesignated General Fund Balance as of June 30, 2012. See also "– Status of Available Fund Balance" below.

The lower than budgeted projected expenditures in the General Fund are primarily attributable to the following:

- \$49.8 million in net positive salary and benefit appropriation variance, predominantly in the Public Safety Group (PSG) and Health and Human Services Agency (HHSA), but also in Land Use and Environment Group (LUEG), Community Services Group (CSG), and Finance and General Government Group (FGG), from lower than budgeted salaries and employee benefits costs due to staff turnover and department management of vacancies.
- \$122.5 million in net positive appropriation variance in services and supplies across the County, primarily in HHSA and CSG but also in PSG, LUEG and FGG.
 - In HHSA, projected positive variance of \$59.6 million are in various contracted services (e.g., in Behavioral Health Services related to un-awarded Mental Health Services Act and Alcohol and Drug Services contracts); lower costs than budgeted in Early Periodic Screening, Diagnosis and Treatment and Medi-Cal and in Educational Related Mental Health Services (ERMHS); lower than estimated growth in In-Home Supportive Services (IHSS) Individual Provider costs; anticipated savings in emergency appropriations for bio-terrorism and appropriations to mitigate unanticipated State reductions. Offsetting these projected positive variances are negative variances anticipated due to information technology activity and increases related to the Low Income Health Program (LIHP).
 - In CSG, a positive variance in the Registrar of Voters is due to anticipated savings from the consolidation of the February 7, 2012 Presidential Primary Election with the June 5, 2012 Direct Primary Election. This variance is also due to reduced grant expenditures for the purchase of American Disability Act (ADA) voting booths which will be rebudgeted in Fiscal Year 2012-13. A positive variance in Housing and Community Development is anticipated due to the postponement of the data automation projects (which will be rebudgeted in Fiscal Year 2012-13), reduced vehicle maintenance and environmental study services costs as well as from lower than anticipated expenditures on multi-year projects.
 - In PSG, a positive variance is anticipated in the San Diego County Fire Authority due to a spending delay for the tree removal grant while an Environmental Impact Report (EIR) is prepared, savings from a countywide vegetation management EIR that has been cancelled, and savings in the Volunteer Firefighter Program. A positive variance is projected in the Public Defender's Office primarily associated with the current year requirements for the defense of special circumstances cases, and these savings will be rebudgeted in Fiscal Year 2012-13. Savings in the Department of Child Support Services are primarily due to reductions in lease and contract services. Savings in the Office of Emergency Services associated with Homeland Security Grant expenditures will be rebudgeted in Fiscal Year 2012-13. Further, savings in Probation are related to scope changes in the case management system and contracted services connected to AB109 and Senate Bill (SB) 678, Community Correction Performance Incentive Grants, and these savings will be rebudgeted in Fiscal Year 2012-13.
 - In LUEG, a positive variance in the Department of Planning and Land Use is primarily due to contracted services savings related to the Fire Re-Build waivers, Zoning Ordinance Update, Purchase of Agriculture Conservation Easements (PACE) program, code enforcement abatements, Greenhouse Gas guidelines, and business case

management training all of which will be rebudgeted in Fiscal Year 2012-13. Environmental Health savings are due to delays in the completion of the Business Case Management System (which will be rebudgeted in Fiscal Year 2012-13), delays in the implementation of the Vector Habitat Remediation Program, and the East Otay Mesa Recycling Collection Center and Landfill, and various one-time projects that are not anticipated to be completed this fiscal year but which will be rebudgeted in Fiscal Year 2012-13. In Agriculture, Weights and Measures, a positive variance is projected primarily due to delays in completing information technology projects which will be rebudgeted in Fiscal Year 2012-13. Further, savings in Public Works are associated with one-time projects that will be rebudgeted in Fiscal Year 2012-13.

- In FGG, positive variances are largely in the Assessor / Recorder / County Clerk due to delays in one-time projects relating to implementation of the integrated recording/vital records system that will be rebudgeted in Fiscal Year 2012-13; in the Department of Human Resources due to projected lower spending levels for certain benefits contracts, positive claims experience associated with the County insurance policies, and lower than anticipated workers' compensation administration costs for the Employee Benefits Internal Service Fund; and in the County Technology Office due to savings in professional and specialized services, virtual server environment costs and in project consulting services.
- A net positive appropriation variance of \$74.7 million in other charges reflects net variances from budgeted caseload and aid payments. Spending is projected to be over budget in Public Health Services because of a requirement for additional support and care costs in the California Children's Services program. This negative variance is offset by a positive variance in Regional Operations, mainly the result of revised caseload levels in CalWORKS and Child Care Stage 1, and savings in Child Welfare Services based on revised estimates of caseload levels, growth trends, and unit cost per case for Foster Care and KinGap programs. In CSG, a positive variance is projected in Housing and Community Development due to lower than anticipated expenditures on multi-year projects. In addition, positive variances are due to lower than budgeted tax and revenue anticipation note borrowing costs in Finance Other and various lease payment savings.
- \$1.8 million in appropriation savings for operating transfers out in HHSA for the IHSS Public Authority related to salary and benefit costs being less than budgeted and savings in Contributions to Capital due to reduced General Fund contributions for various capital projects.
- \$20.0 million in contingency reserves that are projected to be unspent at year-end.
- \$26.0 million in management reserves in HHSA (\$20.0 million), in CSG (\$3.2 million), and in PSG (\$2.8 million) that are projected to be unspent at year-end.

The projected revenue under-realization to budget of \$111.7 million includes negative variances totaling \$137.1 million in various funding sources, with partially offsetting positive variances of \$25.4 million. Of the \$137.1 million in negative variances, \$124.5 million is within intergovernmental revenues and is largely the result of expenditure savings in caseload driven programs and contracted services mentioned above. An additional contributing factor to the negative revenue variance is a projected shortfall of \$2.2 million in current property taxes. The projection reflects an estimated \$19.0 million in roll corrections and refund adjustments, partially offset by growth in current secured property taxes based on growth in local secured assessed value, an improved delinquency rate, and by projected growth in current supplemental property taxes compared to budget. The remaining negative variances reflect the combination of unrealized revenue due to operational savings and various revenue shortfalls in charges for current services and fines, forfeitures and penalties and revenue from use of money and property.

A positive revenue variance of \$25.4 million is expected in the following categories: taxes other than current secured (\$7.6 million) which includes an increase in Property Tax In Lieu of VLF due to an

improvement in the Vehicle License Fee Adjustment Amount calculation, an increase in Teeter Tax Reserve Excess primarily from a lower than anticipated 2011 Teeter buy-out, partially offset by a decrease in Teeter Property Tax prior year collections; licenses permits and franchises (\$1.3 million); miscellaneous revenue (\$16.4 million) primarily in the Seriously Emotionally Disturbed Children's Program in Behavioral Health Services due to an operational adjustment and in Finance Other in Countywide General Expense due to an unanticipated case settlement from SDG&E; and in other financing sources (\$0.1 million).

Table 8 below sets forth the County's Adopted and final Amended Budgets for Fiscal Year 2010-11. The table also sets forth the Adopted Budget for Fiscal Year 2011-12, the Amended Budget as of March 31, 2012, the projected expenditures and revenues and other financing sources as reported in the Third Quarter Report, and the variance between the projected actual amounts and those contained in the Fiscal Year 2011-12 Amended Budget. The full report may be viewed on the County's website at <http://www.sdcounty.ca.gov/auditor/qfbr.html>. The information on such website is not incorporated herein by reference. The table also sets for the General Fund CAO Proposed Operational Plan Budget for Fiscal Year 2012-13.

TABLE 8
GENERAL FUND
ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2010-11,
ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR
FISCAL YEAR 2011-12 AND PROPOSED BUDGET FOR FISCAL YEAR 2012-13
(In Thousands)

	2010-11 Adopted Budget	2010-11 Amended Budget⁽¹⁾	2011-12 Adopted Budget	2011-12 Amended Budget⁽⁵⁾	Projected Year-End Results⁽²⁾	Variance from Amended Budget⁽³⁾	2012-13 Proposed Budget⁽⁶⁾
EXPENDITURES							
Public Safety	\$ 1,106,327	\$ 1,165,378	\$ 1,174,041	\$ 1,236,135	\$ 1,197,005	\$ 39,129	\$ 1,200,940
Health and Human Services	1,820,717	1,841,157	1,883,650	1,903,320	1,758,219	145,102	1,891,276
Land Use and Environment	191,847	180,928	154,705	165,460	149,030	16,430	142,260
Community Services	70,769	89,802	77,887	95,197	67,448	27,749	73,148
Finance and General Government and Other	528,131	788,246	414,206	787,362	741,460	45,902	360,027
Contingency Reserve and Designations Increases	21,260	21,260	0	0	0	0	0
Contingency Reserve and Increases in Fund Balance Commitments ⁽⁷⁾	0	0	38,320	38,320	18,320	20,000	21,961
Total Expenditures ⁽⁴⁾	<u>\$ 3,739,051</u>	<u>\$ 4,086,771</u>	<u>\$ 3,742,809</u>	<u>\$ 4,225,794</u>	<u>\$ 3,931,482</u>	<u>\$ 294,312</u>	<u>\$ 3,689,612</u>
REVENUES							
Current Property Taxes	\$ 497,576	\$ 497,576	\$ 505,814	\$ 505,814	\$ 503,576	\$ (2,237)	\$ 510,491
Taxes Other Than Current Property Taxes	383,235	383,235	381,647	381,647	389,287	7,640	383,622
Licenses, Permits and Franchises	40,189	40,189	41,618	41,618	42,874	1,256	41,613
Fines, Forfeitures and Penalties	54,668	56,774	52,057	56,393	53,868	(2,525)	51,930
Use of Money and Property	16,969	16,969	17,691	17,691	16,768	(923)	13,903
Aid from Other Government Agencies	1,912,830	1,950,760	1,970,464	2,027,764	1,903,228	(124,536)	1,989,600
Charges for Current Services	290,512	291,109	290,358	291,842	284,983	(6,860)	292,148
Miscellaneous Revenues and Other Financing Sources	251,712	270,932	267,202	274,032	290,487	16,455	295,671
Total Revenues ⁽⁴⁾	<u>\$ 3,447,691</u>	<u>\$ 3,507,544</u>	<u>\$ 3,526,851</u>	<u>\$ 3,596,801</u>	<u>\$ 3,485,071</u>	<u>\$ (111,730)</u>	<u>\$ 3,578,978</u>
Estimated Use of Unreserved and Designated Fund Balance	\$ 4,608	\$ 4,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Estimated Use of Committed Fund Balance ⁽⁷⁾	0	0	5,893	5,893	5,893	0	544
Estimated Use of Unreserved and Undesignated Fund Balance	286,752	293,763	0	0	0	0	0
Estimated Use of Unassigned Fund Balance ⁽⁷⁾	0	0	210,065	211,035	211,035	0	110,090
Estimated Use of Fund Balance Reserved for Encumbrances	0	280,856 ⁽⁵⁾	0	0	0	0	0
Estimated Use of Fund Balance for Encumbrances ⁽⁷⁾	0	0	0	412,065	412,065	0	0
Total Resources Utilized ⁽⁴⁾	<u>\$ 3,739,051</u>	<u>\$ 4,086,771</u>	<u>\$ 3,742,809</u>	<u>\$ 4,225,794</u>	<u>\$ 4,114,064</u>	<u>\$ (111,730)</u>	<u>\$ 3,689,612</u>
Net Savings from the Fiscal Year 2011-12 Amended Budget					<u>\$ 182,582</u>	<u>\$ 182,582</u>	

Source: County of San Diego Auditor and Controller.

(1) Reflects budgeted expenditures and revenues included in the 2010-11 Adopted Budget as amended and adjusted to include all budgeted appropriations and revenues as of June 30, 2011.

(2) Reflects, as of March 31, 2012, the amended budget and projections of the expenditures and revenues of the County's General Fund for Fiscal Year 2011-12.

(Table continued on subsequent page.)

(Table continued from prior page.)

- (3) As currently projected; reflects the difference between the budgeted expenditures, revenues and other financing sources of the County's General Fund in the Fiscal Year 2011-12 Amended Budget as of March 31, 2012 and the projected expenditures, revenues and other financing sources of the County's General Fund for Fiscal Year 2011-12. Amounts without parentheses indicate a variance favorable to the County's General Fund. Amounts with parentheses indicate a variance unfavorable to the County's General Fund.
- (4) Total may not equal the sum of the line items due to rounding.
- (5) Reflects carry-over appropriations from the prior fiscal year.
- (6) Reflects appropriations, revenues and other financing sources included in the 2012-13 Proposed Budget.
- (7) Reflects changes pursuant to GASB 54. "Contingency Reserves and Designation Increases" has been changed to "Contingency Reserves and Increases in Fund Balance Commitments", "Estimated Use of Unreserved and Designated Fund Balance" has been changed to "Estimated Use of Committed Fund Balance", "Estimated Use of Unreserved and Undesignated Fund Balance" has been changed to "Estimated Use of Unassigned Fund Balance", and "Estimated Use of Fund Balance Reserved for Encumbrances" has been changed to "Estimated Use of Fund Balance for Encumbrances".

Status of Available Fund Balance

The unreserved and undesignated portion of the General Fund Balance as of June 30, 2011 was \$612.8 million. See Table 6 entitled "General Fund Balance Sheet" herein for a description of the fund balance of the General Fund for the Fiscal Years ending June 30, 2010, June 30, 2011 and June 30, 2012 respectively. Included in the Fiscal Year 2011-12 Adopted Budget were appropriations based on unassigned General Fund Balance of approximately \$210.1 million. Accordingly, the available unassigned portion of the General Fund Balance was reduced to \$402.7 million.

Subsequently, the Board of Supervisors approved the appropriation of an additional \$0.3 million in unassigned General Fund Balance in the Department of Planning and Land Use for the preparation of the Environmental Impact Report for Updating Equine Regulations in the Zoning Ordinance. This adjustment reduced the available unassigned portion of General Fund fund balance to \$402.4 million.

Pursuant to the First Quarter Operational Plan Status Report and Budget Adjustments (the "First Quarter Report"), which is based on the first three months of Fiscal Year 2011-12, an additional \$2.5 million in unassigned General Fund Balance was approved to be used for various items, including appropriations for one-time costs in the Board of Supervisor's offices, the commitment of fund balance for Environmental Health in the amount of \$1,633,054, and the commitment of fund balance in the amount of \$255,000 for the Sale of Proceeds from Grand Ave Clinic in the Health and Human Services Agency. The total of these anticipated adjustments reduced the available unassigned fund balance from \$402.4 million to \$399.9 million.

In the Fiscal Year 2011-12 Second Quarter Operational Plan Status Report and Budget Adjustments, no additional appropriations were proposed to be appropriated using General Fund Balance.

In the Third Quarter Report which will be presented to the Board of Supervisors on May 8, 2012, no additional appropriations are proposed to be appropriated using unassigned General Fund fund balance.

If there were no further uses of fund balance for the remainder of the year and the projected \$182.6 million in net savings in the 2011-12 budget (as shown in Table 8) were to be realized, the unassigned General Fund Balance as of June 30, 2012 would be \$582.5 million. The County makes no assurances that no further use of available fund balance will occur. See "Fund Balance and Reserves Policy" below.

The County's General Fund Balance projections are subject to change as additional information becomes available. The County does not prepare any formal update of its General Fund Balance projections after the third quarter. The next formal update of the County's General Fund Balance will

occur in connection with the audit of the basic financial statements of the County for the Fiscal Year ending June 30, 2012, which is expected to be completed by December 31, 2012.

County's Fiscal Year 2012-13 Proposed Budget and the Operational Plan

Proposed Operational Plan

The County annually prepares a two-year operational plan, the most recent of which will be proposed by the County's Board on May 8, 2012 (the "Proposed Operational Plan"). The first year of the Proposed Operational Plan is the Fiscal Year 2012-13 Proposed Budget and the second year represents an estimate of the revenues and expenditures of the County for Fiscal Year 2013-14. The Operational Plan reflects the budgets for all funds within which the County accounts for the services it provides to its residents and property and business owners. The largest single fund is the General Fund, which accounts for the majority of the County's activities.

The County's Proposed Budget for the County General Fund for Fiscal Year 2012-13 is approximately \$3.69 billion, with Total Appropriations of approximately \$3.69 billion, Total Revenues of approximately \$3.58 billion, and total estimated use of the Fund Balance Component Decreases/Increases (formerly Unreserved and Designated Fund Balance and the Unreserved and Undesignated Fund Balance) of approximately \$0.5 million and \$110.1 million, respectively. See Table 8 entitled "GENERAL FUND ADOPTED AND AMENDED BUDGET FOR FISCAL YEAR 2010-11, AND ADOPTED AND AMENDED BUDGET AND PROJECTED RESULTS FOR FISCAL YEAR 2011-12 AND PROPOSED BUDGET FOR FISCAL YEAR 2012-13" herein for a summary of the County's 2012-13 Proposed Budget. The Proposed Operational Plan is available on the County's website at <http://www.sdcountry.ca.gov/auditor/budinfo.html>, but is not incorporated herein by reference.

Summary of General Fund Financing Sources

In the Proposed Operational Plan, General Fund Financing Sources total \$3.69 billion for Fiscal Year 2012-13, a \$53.2 million or 1.4% decrease from Fiscal Year 2011-12. They are expected to decrease further by \$85.3 million or 2.3% in Fiscal Year 2013-14. In comparison, the Fiscal Year 2011-12 Adopted Budget was 0.1% higher than the prior year, while the previous ten fiscal years saw an average annual growth rate of 4.1%. General Fund Financing Sources can be categorized as one of three types: Program Revenue, General Purpose Revenue, or Use of Fund Balance (including Fund Balance Component Decreases – formerly Reserves/Designation Decreases).

Program Revenues. Program Revenues are expected to total approximately \$2.61 billion in Fiscal Year 2012-13 and \$2.58 billion in Fiscal Year 2013-14. These revenues make up 70.8% of General Fund Financing Sources in Fiscal Year 2012-13, and are derived primarily from State and federal subventions and grants, and charges and fees earned from specific programs. Program Revenues are expected to increase by 1.9% over the Fiscal Year 2011-12 Adopted Budget compared to an average annual growth for the last nine years of 2.9%.

General Purpose Revenue. General Purpose Revenue, budgeted at approximately \$967.1 million in Fiscal Year 2012-13 and \$974.5 million in Fiscal Year 2013-14, comprise approximately 26.2% of General Fund Financing Sources. This revenue is derived from property taxes, property tax in lieu of Vehicle License Fees ("VLF"), the Teeter program, sales and use tax (and property tax in lieu of sales tax), real property transfer tax, Aid from Redevelopment Successor Agencies, and miscellaneous other sources. They may be used for any purpose that is a legal expenditure of County funds. The Board of Supervisors, therefore, has the greatest flexibility with this revenue when allocating resources to fund programs and services.

The growth in this revenue is principally affected by the local and State economies, with over 85% of General Purpose Revenue tied to activity in the real estate market. From Fiscal Year 1999-2000 through Fiscal Year 2010-11, General Purpose Revenue grew by an annual average of \$41.4 million. Fiscal Year 2011-12 saw an increase in budgeted General Purpose Revenue of \$10.0 million.

For Fiscal Year 2012-13, the \$967.1 million budgeted for General Purpose Revenue is an increase of \$2.7 million from the Fiscal Year 2011-12 budgeted amount of \$964.4 million. The assessed value of real property declined in 2009 and 2010 (following the credit crisis and economic downturn that began in 2007) and it grew marginally in 2011. For 2012, weakness in residential markets is contributing to a 1% projected decline in assessed value of real property overall.

Use of Fund Balance. Use of Fund Balance, including Fund Balance Component Decreases (formerly Reserve/Designation Decreases) totals approximately \$110.6 million in Fiscal Year 2012-13 and \$52.0 million in Fiscal Year 2013-14. It represents 3.0% of General Fund Financing Sources in Fiscal Year 2012-13. This resource is used for one-time expenses, not for the support of ongoing operations. This compares with \$216.0 million in uses of fund balance in the Fiscal Year 2011-12 Adopted Budget, which equaled 5.8% of total General Fund Financing Sources.

In the Proposed Operational Plan, a portion of the unreserved General Fund fund balance is budgeted as the funding source for various one-time or project specific purposes such as: management reserves, one-time major maintenance, negotiated one-time 1% salary payment not covered by other funding sources, one-time resources to support recruitment activities associated with Assembly Bill (AB) 109, Public Safety Realignment, reentry program in the District Attorney and Probation departments, IT equipment purchase and installation in the District Attorney, resources for Child Support Services to match available federal funds, Medical Examiner equipment replacement, Fire Protection and Emergency Medical services grant program for one-time capital needs for volunteer fire protection districts, Aerial Fire Suppression "Call When Needed" support, radio communication equipment for the Probation department, defense of special circumstance cases rebudget, graduate law clerks and temporary staff for the Public Defender, Public Defender support for the remaining term of certain lease costs associated with the discontinued contract for Family Dependency Services, San Diego County Fire Authority equipment replacement commitment, acquisition of a reserve fire engine, and various program prevention and response activities.

Other uses include: relocation efforts related to the County Operations Center capital project, Health and Human Services Juvenile Diversion Program support, Health and Human Services resources for transition from future State enacted cuts or economic downturn, Grand Avenue clinic sale proceeds commitment for Public Health, Childhood Obesity Initiative in Public Health, Public Administration/Public Guardian (PA/PG) for one-time use to mitigate the projected decline in revenues and the continued reorganization of warehouse functions, Polaris spray equipment, Tribal liaison consultant and support rebudget, Firestorm 2007 rebuilding permit fee waiver rebudget, Environmental Health support for beach water quality monitoring rebudget, Green Building Program and Homeowner Relief Act Fee Waivers, Multiple Species Conservation Program (MSCP) (North) Resource Management Plans to protect biological and cultural resources, Land Use rebudgets for Purchase of Agriculture Conservation Easements (PACE) program support, zoning ordinance update, Greenhouse Gas Guidelines Phase I, and Code Enforcement abatements, Total Maximum Daily Load (TMDL) testing for Watershed Program, Traffic modeling support, Public Works rebudgets for Integrated Regional Water Management data management system grant match, Residential Integrated Pest Management program, and Proctor Valley Road closure, Downtown Justice Center Support Facilities Master Plan, upgrade Fleet work order system to M5, continuation of Vote by Mail program, and digital X-ray cameras for Carlsbad and Bonita animal shelters.

Various information technology projects, such as: Mainframe system software support, Business Process Re-engineering initiatives, Probation Case Management System, Accela for Mobile Office Implementation, CalAgPermit System (CAPS), Agriculture Water Quality, and Pesticide Regulation Program and implementation costs for fee offset staff, Business Case Management System (Accela) – rebudget for continued implementation, user acceptance testing, reporting tools, and training, Data Imaging Project rebudget, On-line Payment Solution Integration, Parcel Genealogy, Business Intelligence and Asset Management applications rebudget, Qmatic System Upgrade – Customer Routing in Land Development Process, Web-based Reporting System for Waste Haulers rebudget, Documentum - document digitization, re-architect and upgrade to version 6.7, Community Development files (rebudget), upgrades or replacement of BRASS, XenDocs, and Chargeback, transition of County Counsel’s Case Management System, electronic document submittal/review automation for Land Use rebudget, Justice electronic library system implementation to create electronic files for juvenile case management, Information Technology Improvement Needs Assessment projects: Identity & Access Management, Mobile Enterprise Applications Platform, Mobility Device Management, Master Data Management, endpoint encryption, desktop virtualization, electronic approval system and SharePoint enhancements and Documentum integration, transformation of Project Portfolio Management, Application Lifecycle Management, & Application Rationalization project to manage and identify existing software for replacement or upgrade, Learning Management System Database Upgrade and Enterprise Resource Planning (ERP) short term data storage and unanticipated project costs.

Still further uses include: Assessor Film Deterioration Project, terminal leave for long-term staff, Workforce Academy for Youth (WAY) program, grants provided to community organizations and capital projects including MCSP land purchases and Agua Caliente Campground Expansion and upgrades to sewer system and other utilities.

Summary of Total Appropriations in the Proposed Operational Plan

The Proposed Operational Plan includes appropriations totaling \$4.77 billion for Fiscal Year 2012-13 and \$4.62 billion for Fiscal Year 2013-14. This is a decrease of \$91.7 million or 1.9% for Fiscal Year 2012-13 from the Fiscal Year 2011-12 Adopted Budget. Appropriations for the General Fund are \$3.69 billion, a \$53.2 million or 1.4% decrease from Fiscal Year 2011-12. The General Fund constitutes 77.4% of the County’s total appropriations. Further, the Fiscal Year 2012-13 Proposed Operational Plan reflects a staffing increase of 271.25 full time equivalents (“FTEs”). This comprised of 276.0 FTE increase in the General Fund and 4.75 FTE decrease in other funds. This will increase budgeted FTEs for the County from 15,687.25 in Fiscal Year 2011-12 to 15,958.50 in Fiscal Year 2012-13.

The Proposed Operational Plan by Group/Agency includes decreased appropriations in Land Use and Environment, Finance and General Government, the Capital Program, and Finance Other, while they are increasing in Public Safety, HHSA and Community Services. HHSA, at \$1.93 billion, continues to constitute the largest share of the budget at 40.5%, followed by the Public Safety Group at \$1.45 billion, or 30.3%.

The appropriation and staffing changes by Group/Agency are summarized below.

Public Safety Group – includes a proposed net increase of 2.5% or \$35.8 million from the Fiscal Year 2011-12 Adopted Budget and a net increase of 95.00 staff years. The increase primarily relates to increased costs reflecting negotiated labor agreements and increases in County retirement contributions, growth in Proposition 172 funding, additional service requirements due to the transfer of responsibilities for offenders from the State to the counties, and the planned use of one-time resources. Reductions in State funding and the expiration of funding under the American Recovery and Reinvestment Act (ARRA) of 2009 are recognized. All mandated services are maintained.

Health and Human Services Agency – includes a proposed net increase of 0.5% or \$9.0 million from the Fiscal Year 2011-12 Adopted Budget and a net increase of 176.00 staff years. The proposed increase relates to the increase in staff years as well as increases in wage and benefit costs that reflect negotiated labor agreements and increases in retirement contributions, and costs associated with contracted services and client payments. Reductions in funding and caseloads are also recognized as well as the implementation of Assembly Bill (AB) 118, Local Revenue Fund 2011, which shifts State financial responsibility of various services to counties, funded with a dedicated portion of sales tax..

Land Use and Environment Group – includes a proposed net decrease of 7.4 % or \$31.0 million from Fiscal Year 2011-12 Adopted Budget and a decrease of 5.00 staff years. Significant decreases are in: right-of-way acquisition costs for Bear Valley Parkway; completion of capital projects in the County of San Diego Sanitation District and Airports; completion of grant funded contracts; one-time only costs for completion of several business process reengineering projects and reductions in staffing.

Community Services Group – includes a proposed net increase of 4.7% or \$13.6 million from the Fiscal Year 2011-12 Adopted Budget and a decrease of 2.75 staff years. The increase is due to a major upgrade of the Documentum Enterprise Content Management application, the use of loans from the California Energy Commission to finance energy-efficiency projects, and increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions. Offsetting the increases in program appropriations is a decrease of \$7.6 million in elections’ costs due to the scheduled February 2012 Presidential Primary.

Finance and General Government Group – includes a proposed net decrease of 6.2% or \$22.4 million from the Fiscal Year 2011-12 Adopted Budget and an increase of 8.00 staff years. The decrease is mainly due to the replacement of one-time funding of major enterprise information technology (IT) projects in Fiscal Year 2011-12 with smaller IT projects in Fiscal Year 2012-13. There are also offsetting increases in staffing costs due to a net increase in staff years and increases in wage and benefit costs that reflect negotiated labor agreements and increases in County retirement contributions.

Capital Program – includes a proposed net decrease of 62.2% or \$79.1 million from the Fiscal Year 2011-12 Adopted Budget. The amount budgeted in the Capital Program for Capital Projects can vary significantly from year to year. The Fiscal Year 2012-13 Capital Program includes: \$26.2 million for the Cedar and Kettner Development, \$10.0 million for Multiple Species Conservation Program (MSCP) and \$2.0 million for Agua Caliente Park Water, Sewer and Electrical Line Replacement project.

Finance Other – includes a proposed net decrease of 5.3% or \$17.6 million from the Fiscal Year 2011-12 Adopted Budget. Many of the appropriations in this group vary little from year to year, but some appropriations reported here are one-time and can fluctuate significantly. One-time appropriations in Fiscal Year 2011-12 included \$70.0 million for the Women's Detention Facility Replacement project, \$10.0 million for Multiple Species Conservation Program (MSCP), \$0.5 million for the Agua Caliente Park Cabins and \$0.46 million for the Long-Term Animal Care Facility. In the Fiscal Year 2012-13 proposed budget, the General Fund contribution to the Capital Program continues to include appropriations for MSCP of \$10.0 million and \$2.0 million for the Agua Caliente Park Water, Sewer and Electrical Line Replacement project. In addition, one-time appropriation of \$45.4 million is proposed to fund future capital projects and anticipated higher payments to the retirement fund in future years.

Impact of the Governor’s Fiscal Year 2012-13 Budget on the County’s Fiscal Year 2012-13 Proposed Budget

On January 5, 2012, Governor Brown (the “Governor”) released his 2012-13 Proposed Budget (the “Fiscal Year 2012-13 Proposed State Budget”), which estimates that, without corrective action, the

State will end Fiscal Year 2012-13 with a \$9.2 billion deficit consisting of a \$4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the \$1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a \$5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. See “STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION - State Budget for Fiscal Year 2012-13” herein. Among other things, the Fiscal Year 2012-13 Proposed State Budget proposes \$10.3 billion in expenditure reductions and increased revenues (including a temporary increase in income and sales taxes proposed for the November 2012 ballot (the “2012 Tax Initiative”)) to balance the State’s budget for Fiscal Year 2012-13 and to rebuild a reserve. The Fiscal Year 2012-13 Proposed State Budget also set forth \$5.4 billion of additional cuts affecting education and public safety that would be effective on January 1, 2013 in the event that the 2012 Tax Initiative is not approved by voters.

The Fiscal Year 2012-13 Proposed State Budget continues the plan that began in 2011 of shifting funding and responsibility for certain services from the State to local governments (the “2011 Realignment”). The first phase of the 2011 Realignment includes shifting State responsibility and funding for the management of low-level offenders and adult parolees, juvenile justice programs, and other public safety programs to local government. Funding for these responsibilities, in Fiscal Year 2012-13, would continue to be provided from two State sources: a State special fund sales tax of 1.0625 percent and VLF revenues. The second phase of the 2011 Realignment is continued in the Fiscal Year 2012-13 Proposed State Budget. This second phase will focus on the relationship between the State and counties in the funding and delivery of health care, and related discussion will include what programs counties should be responsible for when the State assumes the majority of costs for healthcare. It is estimated approximately 2 million people will shift from county indigent programs to the Medi-Cal caseload.

Effective February 1, 2012, redevelopment agencies within the State were dissolved and replaced by locally organized successor agencies tasked with administering the repayment of any outstanding debts and legal obligations of any of the dissolved redevelopment agencies. Local redevelopment successor agencies will use property tax revenue to pay debts and obligations of the dissolved redevelopment agencies, and any remaining revenues will be distributed as property taxes among cities, counties, school and community college districts, and special districts under existing law. The County has not included any potentially remaining amounts to be distributed after payment of obligations in its Fiscal Year 2012-13 Proposed Budget.

The Fiscal Year 2012-13 Proposed State Budget also includes significant changes to certain health and human services programs. Proposals regarding the CalWORKS program include a fundamental restructuring of the program with more rigorous requirements for work participation, reduced cash grants to a significant portion of current CalWORKS recipients, and reducing child care under the CalWORKS program, some of which is proposed to be administered by counties. The Fiscal Year 2012-13 Proposed Budget proposes a \$163.8 million reduction in State funding for IHSS; the services are proposed to be covered by managed care plans, along with other home and community based services and nursing home care. Additionally, certain Medi-Cal beneficiaries, who are also eligible for Medicare and known as “dual eligible beneficiaries,” are proposed to be included under Medi-Cal Managed Care.

The Fiscal Year 2012-13 Proposed State Budget also seeks to suspend or repeal numerous mandates, with the exception of most mandates related to law enforcement or property taxes. Suspended mandates that may have an impact on the County include reimbursement for elections.

In addition to the above, the State funds many other County health and social services programs and provides funding to help sustain public safety, health and human services and transportation

programs. The County continues to review the Fiscal Year 2012-13 State Budget to determine the appropriate course of action.

Impact of the Fiscal Year 2012-13 May Revision on the County's Fiscal Year 2012-13 Proposed Budget

On May 14, 2012, the Governor released the May Revision to the Fiscal Year 2012-13 Proposed State Budget (the "May Revision"), which estimates that the State's budgetary shortfall for Fiscal Year 2012-13 has increased to \$15.7 billion, prompting \$16.7 billion in proposed budget actions to account for a \$1.0 billion reserve. See "STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION – State Budget for Fiscal Year 2012-13" herein. The May Revision proposes to address the State's deficit through additional spending reductions (including the use of local reserves to reduce State General Fund costs for local trial courts on a one-time basis, reductions to hospital and nursing home funding and reductions in IHSS hours), implementation of the temporary tax increases set forth in the Governor's Revised 2012 Tax Initiative (described herein) and use of various transfers, loans and repayment extensions.

Upon initial review, the County anticipates impacts primarily in health and human services programs. The May Revision continues its January proposal to redesign the CalWORKS program, but at a slower phased-in approach. Specific changes include flexibility on work participation requirements and program eligibility. An additional reduction to the IHSS, specifically, a seven percent across-the-board decrease in authorized hours, which would be effective August 1, 2012 has been included in the May Revision. The transfer of dual eligible beneficiaries to managed care plans (Coordinated Care Initiative) that was included in the Governor's original Fiscal Year 2012-13 Proposed State Budget is continued, and a comprehensive plan to transition clients over the next three years has been provided. The May Revision proposes reducing the number of counties participating in phase one of the Coordinated Care Initiative to eight, one of which will be the County.

In the Fiscal Year 2012-13 Proposed State Budget, the Governor also proposed to suspend the county share of child support collections on a one-time basis, estimated to be \$34.5 million statewide in Fiscal Year 2012-13, and redirect this amount to the State's General Fund. This proposal is maintained in the May Revision, and may result in a loss to the County's Child Support program of \$2 to \$4 million in Fiscal Year 2012-13, which would include the loss of staffing resources. The May Revision also includes a decrease of funding for Local Child Support Agencies and the California Child Support Automation System; the impact to the County is estimated to be between \$500,000 and \$1.5 million.

The proposal to close the State Division of Juvenile Justice (the "DJJ") and halt the intake of juvenile offenders has been modified in the May Revision. The DJJ will remain an option for housing and treatment of the most serious and violent juvenile offenders. Other modifications include a charge to counties of \$2,000 each month for each offender placed with the DJJ beginning July 1, 2012, a decrease in the age of jurisdiction from 25 to 23, and the termination of juvenile parole on January 1, 2013; responsibility for juvenile parolees would not transfer to counties.

In regards to the dissolution of redevelopment agencies in the state, successor agencies, of which the County is one, have been formed to wind down the activities of the former redevelopment agencies, most significantly, to continue making payments on enforceable obligations, using former property tax increment. Former tax increment in excess of those payments will be distributed to affected taxing agencies under existing law. The proposed trailer bill language to the May Revision provides for remittance by successor agencies of unencumbered low and moderate income housing funds to the Auditor and Controller by October 15, 2012 and all other unencumbered funds by January 15, 2013 for distribution to affected taxing entities. The County General Fund and Library Fund, as affected taxing

entities, would receive a share of this tax distribution, but this has not been included in the County's Fiscal Year 2012-13 Proposed Budget.

The May Revision continues the Governor's proposal to suspend most State mandates not related to law enforcement or property taxes, including election-related mandates. The impact to the County is estimated to be \$1.5 to \$1.8 million of lost reimbursement for voter registration, absentee ballots, and permanent absentee ballots.

The May Revision assumes the passage of the Governor's 2012 Tax Initiative, as amended, which would include temporary tax increases of personal income tax on the State's wealthiest taxpayers and temporary increases of the sales tax by one-quarter percent for four years. The 2012 Tax Initiative, as amended, would provide new revenues to schools and provide a permanent funding structure for 2011 Realignment, constitutionally protecting funds for public safety realignment. If this initiative were to not pass, the funding for the 2011 Realignment would require annual appropriations by the State. In addition, the Governor proposes trigger cuts of \$6.1 billion, \$6.0 billion of which relate to reduced funding for school districts and higher education and \$100 million of which relates to reduced funding for the Department of Forestry and Fire Protection's firefighting capabilities and the elimination of certain public safety staffing in various capacities such as park rangers, game wardens and lifeguards.

The County continues to review the provisions of the May Revision and the types of reductions that may be necessary should the revenue generating proposals set forth therein fail to pass, including additional reductions in funding for public safety programs, court security, fire prevention and protection and further reductions to health and human services through reduced CalWORKs grants, reduction of services for many IHSS recipients. Absent clarification on certain proposals, it is not possible to estimate the potential monetary impact of the State budget on the County. The County intends to await the adoption of the Fiscal Year 2012-13 State Budget before determining the actions it will take with respect to the Fiscal Year 2012-13 County Budget.

Fund Balance and Reserves Policy

The County's Fund Balance and Reserves Policy (the "Fund Balance and Reserves Policy") establishes guidelines regarding the maintenance of fund balance and reserve levels in the General Fund. Pursuant to the Fund Balance and Reserves Policy, subject to a waiver of all or a portion of such policy by the Board of Supervisors, the County will maintain: a Commitment for Unforeseen Catastrophic Events (the "Commitment for Unforeseen Catastrophic Events") with a targeted amount equivalent to 5% of the total budgeted General Purpose Revenue to fund legally declared emergencies; a Contingency Reserve (the "Contingency Reserve") with a targeted amount equivalent to 2% of the total budgeted General Purpose Revenue to fund unanticipated needs of the County or offset revenue shortfalls during the Fiscal Year; and a General Fund Minimum Fund Balance for Economic Uncertainty (the "General Fund Minimum Fund Balance for Economic Uncertainty") at the targeted level of 10% of the total budgeted General Purpose Revenue. In the event that the Commitment for Unforeseen Catastrophic Events, the Contingency Reserve or the Minimum Fund Balance for Economic Uncertainty fall below their targeted levels, the CAO will present a plan to the Board of Supervisors for restoration of those levels.

The Commitment for Unforeseen Catastrophic Events, Contingency Reserve and the General Fund Minimum Fund Balance for Economic Uncertainty totals set forth in the Fiscal Year 2012-13 Proposed Budget exceed the County's 17% Fund Balance and Reserves Policy target. The General Purpose Revenue in the Fiscal Year 2012-13 Proposed Budget totals \$967.1 million. For Fiscal Year 2012-13, the Commitment for Unforeseen Catastrophic Events is budgeted to remain at \$55.5 million, exceeding the reserve requirement of \$48.4 million; the Contingency Reserve is budgeted to remain at

\$20.0 million, exceeding the target level of \$19.3 million; and the General Fund Minimum Fund Balance for Economic Uncertainty will also remain at \$100.0 million, exceeding the target level of \$96.7 million. See also “– Budget and Financial Position of the County” and “– County’s 2012-13 Proposed Budget and the Operational Plan” herein.

Teeter Plan

In Fiscal Year 1993-94, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1, of the Revenue and Taxation Code of the State of California (also known as the “Teeter Plan”). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at Fiscal Year end. Under this plan, the County assumes an obligation to advance funds to these entities to cover expected delinquencies. The County’s general fund benefits from future collections of penalties and interest on delinquent taxes collected on behalf of participants in this alternative method of apportionment.

From June 1996 through June 2005, the County issued on an annual basis its Teeter Obligation Commercial Paper Notes (“Teeter Notes”) to finance delinquent property tax receivables. The County has not issued Teeter Notes to fund delinquencies since June 15, 2006. All of the County’s Teeter Notes have been paid in full. The County intends to fund its obligations under the Teeter Plan through available monies in the General Fund. There are currently no plans to issue Teeter Notes in the future.

Temporary Transfers

Section 6 of Article XVI of the California Constitution provides for temporary transfers of funds by the Treasurer-Tax Collector of the County (the “Temporary Transfers”; such transfers are referred to as Treasurer’s Loans from time to time) to cover short-term operational deficits occurring as a result of imbalances between receipts and expenditures. The California Constitution prohibits Temporary Transfers by participants of the Treasury Pool (herein defined) (including the County) prior to the first day of the Fiscal Year or after the last Monday of April of each Fiscal Year, and of amounts in excess of 85% of the school district taxes levied by a county under Section 21 of Article XIII of the California Constitution and of amounts apportioned to such school district under Section 6 Article IX of the California Constitution. Treasury Pool participants may utilize Temporary Transfers from time to time for various purposes. A Temporary Transfer must be repaid from the Treasury Pool participant’s first revenues received thereafter before any other obligation and thus, in the case of the County, would have a priority over the County’s general fund debt obligations. The County has not received any Temporary Transfers in the past ten years.

San Diego County Employees Retirement Association

The following information concerning the San Diego County Employees Retirement Association (the “Association”) has been excerpted from publicly available sources, which the County believes to be accurate, or otherwise obtained from the Association. The Association is not obligated in any manner for payment of debt service on the Tax and Revenue Anticipation Note Program Note Participations, Series 2012 (the “Note Participations”) described in the forepart of the Official Statement, and the assets of the County’s pension plan are not available for such payment. The Association issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described pension plan and retiree health plan. The reports are available on the Association’s website: <http://www.sdcera.org/investments.htm>. Information on such site is not incorporated herein by reference.

General

The Association, which was established July 1, 1939 under provisions of the County Employees Retirement Law of 1937 (the “Retirement Law”), administers the County’s cost-sharing multiple-employer defined benefit pension plan covering substantially all compensated employees of the County. Benefits under the County’s pension plan are paid in finite amounts, derived from a formula based on age, service credit and levels of compensation, as calculated by the Association in accordance with applicable law and agreements. As of June 30, 2011, there were 16,523 active members, 14,496 retired members and beneficiaries and 5,125 deferred members. Deferred members are those members whose employment has terminated with a participating employer and who left their respective retirement contributions with the Association. The system operates on a fiscal year basis, with its year ending June 30. The pension system has four tiers and provides retirement, disability, death and survivor benefits to its General and Safety members. Tier B is the current open plan, which became effective on August 28, 2009. Tier A (with 15,765 active members as of June 30, 2011) and Tier I (with 37 active members as of June 30, 2011) are closed to new entrants, and Tier II was eliminated for active members. See “County of San Diego Employees – Negotiated Retirement Amendments” herein for a description of modifications to the benefit tiers effective August 28, 2009.

The County is one of the employers that participate in the Association. In addition to the County, participating employers include the San Diego Superior Court (the “Court”), the Local Agency Formation Commission and the San Dieguito River Valley Joint Powers Authority. The County and these other participating employers are collectively referred to herein as the “Employers” and contributions to the Association made by such Employers are referred to herein as “Employer Contributions”. The County is obligated to make approximately 91% of the annual Employer Contributions to the Association and the other participating Employers are obligated to make approximately 9% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating Employers for Fiscal Year 2010-11. Separate from the Employers, the San Diego County Office of Education (the “Office of Education”) has approximately 24 retirees who participate in the Association’s retirement plan and receive benefits, but no longer makes contributions to the Association. Retirement benefits for these 24 retirees are funded by contributions previously made by the Office of Education.

General Funding Practices of the Association

Introduction. The Retirement Law requires the Association to commission an actuarial valuation and an experience study at least every three years. It is the Association’s policy to conduct an actuarial valuation at least every three years; the Association’s practice has been to conduct an actuarial valuation on an annual basis as of June 30 of each year, which is the end of the Association’s fiscal year. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Association. The Retirement Law requires the Retirement Board of the Association (the “Retirement Board”) to recommend to the Board of Supervisors and the other Employers such changes in the rate of contribution by the Employers and members, and in the County’s and the other Employers’ appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Law requires the Employers (including the County) to implement such changes. The most recent actuarial valuation is as of June 30, 2011, prepared by The Segal Company, the Association’s actuary (the “Actuary”).

Normal Cost and UAAL and its Calculation. Currently, the Association uses the “entry age normal actuarial cost method” to calculate the Employers’ annual rates of contribution. The actuarially required contribution has two components, the “normal cost” and the amortized amount of the unfunded

actuarial accrued liability (“UAAL”). Normal cost represents the portion of the actuarial present value of the benefits that the Employers and their respective employees will be expected to fund that are attributable to a current year’s employment. The normal cost contribution amount is calculated based on a set of actuarial assumptions about future events pertaining to the amount and timing of benefits to be paid and the accumulation of assets to pay the benefits. The UAAL may increase or decrease as a result of changes in actuarial assumptions or methods, statutory provisions, benefit improvements and other experience which differs from that anticipated by the actuarial assumptions. There is a lag between the point in time at which the actuary completes the actuarial valuation and the date that the contribution rates calculated in the valuation go into effect. This lag is typically 12 months. For example, the recommended contributions contained in the actuarial report as of June 30, 2011 apply to contributions to be made by the County and the other Employers for the Fiscal Year beginning July 1, 2012.

The UAAL calculation is necessary to determine how sufficient the assets in the Association are to fund, as of the date of calculation, the accrued costs attributable to currently active, deferred vested members and retired members. The funding sufficiency is typically expressed as the ratio of the valuation assets to the actuarial accrued liabilities. If the actuarially calculated funding level of a plan is less than 100%, the plan has a UAAL. The UAAL is determined by comparing the actuarial assumptions made to actual experience. Examples of the data that are used in this process are the assumed (versus actual) rates of earnings on the assets of the plan, pay increases for current employees, disability retirements, retirement ages of active employees, and post-employment life expectancies of retirees and beneficiaries.

When measuring assets for determining the UAAL, many pension plans, including the Association, “smooth” gains and losses to reduce volatility. For example, if in any year the actual investment return on the Association’s assets is lower or higher than the actuarial assumed rate of return (which is 8.00%, net of expenses), then the shortfall or excess, together with other experience gains or losses, is smoothed or spread over a five-year period. The impact of this will result in an actuarial value of assets which is lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss.

Further, various plans use different amortization periods for paying off (or “amortizing”) a UAAL. The amortization of the UAAL represents the current year’s portion of the unfunded accrued costs (*i.e.*, the UAAL) attributable to past years’ employment. Some plans use rolling periods and others use “fixed” periods, such as a 30-year fixed period, meaning that the actuarially required contribution in a particular year would be the unfunded actuarial accrued liability amortized over the remaining years in the fixed period. On June 17, 2004, the Retirement Board changed the Association’s amortization period from a 15-year rolling amortization period to a 20-year fixed layered amortization period.

The 20-year fixed layered method of amortizing the UAAL amortizes each year’s change in UAAL over a new 20-year period. Accordingly, the increase or decrease in UAAL from the current year’s actuarial valuation began a new 20-year amortization schedule and the prior year increase or decrease in UAAL has 19 years remaining on its 20-year amortization schedule. As with other assumptions, the Retirement Board may change the amortization period from time to time, which would result in the Employer’s contributions to the Association in a particular year being higher or lower.

Investors are cautioned that, in considering the amount of the UAAL as reported by the Association and the resulting amounts of required contributions by the County and the other Employers, this is “forward looking” information in that it reflects the judgment of the Retirement Board and the Association’s actuary as to the amount of assets which the Association will be required to accumulate to fund future benefits over the lives of the currently active employees, vested terminated members and existing retired members. These judgments are based upon a variety of assumptions, one or more which

may prove to be inaccurate or be changed in the future, and will change with the future experience of the Association.

Demographic Assumptions. The Retirement Board and the Association's actuary review the various demographic assumptions that are employed in calculating the normal cost rates against actual experience at least every three years. The Association's actuary last presented an experience study to the Association on April 1, 2010 with respect to results as of June 30, 2006 through June 30, 2009. The Association's actuary recommended changes to certain assumptions, including the assumed future merit and longevity pay increases for current employees, the assumed rates of disability, the assumed retirement ages of active employees, the assumed ordinary withdrawal and vested termination rates, and the post-employment life expectancies of retirees and beneficiaries. The Association's actuary reported that the proposed set of assumptions would result in an increase in the aggregate contribution rate of less than 1%. At its June 3, 2010 meeting, the Retirement Board adopted the recommendations presented by the Association's actuary. The set of assumptions approved by the Retirement Board were used to prepare subsequent actuarial valuation reports, beginning with the report for the year ended June 30, 2010. The next experience study is expected to be conducted in 2013 with respect to results as of June 30, 2009 through June 30, 2012.

Economic Assumptions. The Association's actuary prepares a review of economic actuarial assumptions every three years in conjunction with the demographic study. At the May 6, 2010 Retirement Board meeting, the Association's actuary presented proposed new economic assumptions. The Association's actuary recommended a reduction of the current annual investment return assumption of 8.25% to 8.00%, a reduction in the assumed inflationary salary rate from 3.75% to 3.50%, an increase in the assumed "across the board" salary assumption from 0.50% to 0.75% and no overall change to the combined inflationary and real "across the board" salary increase assumption of 4.25%. These assumptions were used to prepare subsequent actuarial valuation reports, beginning with the report for the year ended June 30, 2010. The actuary stated at the June 3, 2010 meeting that had the 8.00% rate of return assumption been in place for the June 30, 2009 actuarial valuation, the aggregate employer contribution rate for Fiscal Year 2010-11 would have been approximately 3 percentage points higher. The next economic assumptions review is expected to be conducted in conjunction with the next demographic experience study, which, as noted above, is expected to occur in 2013. The County cannot predict at this time the further recommendations to be made by the Association's actuary, the Retirement Board's determinations with respect thereto and their potential effects on the Association's assets and liabilities or the contributions to be made by the County, other employers and their respective employees.

Funding Status of the Association

Current Status. As of June 30, 2011, the date of the most recent actuarial valuation report, the valuation value of assets of the Association was approximately \$8.542 billion and the actuarial accrued liability was approximately \$10.483 billion, resulting in a funded ratio of approximately 81.5% and an UAAL of approximately \$1.940 billion. By comparison, the funded ratio as of June 30, 2010 was 84.3% and the UAAL was \$1.566 billion. See Table 9 – Historical Funding Status. The decline in the funded ratio reflects, among other things, the recognition of a portion of prior years' investment losses. The total unrecognized investment loss as of June 30, 2011 was \$467.9 million, which amount will be recognized in the determination of the actuarial value of assets for funding purposes over the next five years, to the extent it is not offset by recognition of investment gains derived from future experience. The actuarial value of assets and the UAAL may increase or decrease based on investment results of the Association being above or below the actuarially assumed rate of return of 8.00% per annum as a consequence of increases or decreases in the securities market. Based on the foregoing, earning the assumed rate of investment return of 8.00% per annum on a market value basis will result in investment losses on the actuarial value of assets and an increase in the County's contribution requirements in each of the next five

years as the investment losses are recognized. No assurance can be given that the actuarial value of assets of the Association will not materially decrease. The Association reported a total portfolio market value of net pension assets of \$8.183 billion as of June 30, 2011, compared to \$6.878 billion as of June 30, 2010, a \$1.305 billion increase in net assets or a 20.91% return on the market value of pension assets. Table 10 – Prospective Funding Status of the Association below reflects the projected funding status through Fiscal Year 2017-18. These projections are based on certain assumptions, including achieving an 8.00% return on investments described herein. As of March 31, 2012, the Association reported a total portfolio market value of net pension assets of \$8.565 billion, an increase of approximately 5.6% since June 30, 2011. Investment results may help mitigate the material adverse effect of the losses experienced in Fiscal Year 2008-09 on the actuarial value of the assets, the funded ratio and the employer contributions beginning in Fiscal Year 2011-12. The impact of the Fiscal Year 2008-09 losses and the current demographic and economic assumptions is illustrated in Table 10 – Prospective Funding Status of the Association below. See “County Financial Information – San Diego County Employees Retirement Association – General Funding Practices of the Association – Normal Cost and UAAL and its Calculation” herein.

Historical Funding Status. Table 9 below sets forth for each of the ten years ended June 30, 2011 the amount of the total Employer Contributions and Employer Offsets made by the County and the other Employers, and the market value of the pension assets, the valuation value of the pension assets, the actuarial accrued liability of the pension system, the UAAL and the funded ratio of the Association as of the end of the second preceding fiscal year, which served as the basis for determining the related Employer Contributions and Employer Offsets.

TABLE 9
HISTORICAL FUNDING STATUS
Fiscal Years Ended June 30, 2002 through 2011
(\$ In Millions)

Fiscal Year	Employer Contribution⁽¹⁾	Employer Offsets⁽¹⁾	Valuation Date (June 30)	Net Market Value of Assets	Valuation Value of Assets	Actuarial Accrued Liability	UAAL⁽²⁾	Funded Ratio
2002	\$5.3	\$45.2	2000	\$4,275.1	\$3,568.7	\$3,248.8	\$(319.8)	109.9%
2003	12.2 ⁽⁵⁾	53.9	2001	3,816.9	3,745.6	3,506.8	(238.8)	106.8
2004	195.0 ⁽⁵⁾	55.2	2002	3,533.6	3,831.3	5,078.1	905.1 ⁽³⁾⁽⁴⁾	82.5 ⁽³⁾⁽⁴⁾
2005	260.0 ⁽⁶⁾	56.1	2003	4,103.3	4,417.8	5,853.1	1,435.4 ⁽³⁾⁽⁵⁾	75.5 ⁽³⁾⁽⁵⁾
2006	243.7 ⁽⁷⁾	58.8	2004	5,508.6	5,166.8	6,369.5	1,202.7 ⁽⁵⁾	81.1 ⁽⁵⁾
2007	258.2 ⁽⁸⁾	62.3	2005	6,358.5	5,612.3	6,990.7	1,378.4	80.3
2008	236.8	68.7	2006	7,330.9	6,263.0	7,495.3	1,232.3	83.6
2009	219.6	71.6	2007	8,444.5	7,250.4	8,082.5	832.1	89.7
2010	189.5 ⁽⁹⁾	68.4	2008	8,408.0	8,236.9	8,722.3	485.4	94.4
2011	235.4 ⁽¹⁰⁾	68.4	2009	6,192.0	8,413.1	9,198.6	785.6	91.5

Source: The County.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. In each year the amounts indicated under the columns Employer Contribution and the Employer Offsets were based on the valuations as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 (as set forth in the table). The County share of Employer Contributions and Employer Offsets are estimated to be approximately 91.0% based on the estimated relative percentage of payroll of the County for Fiscal Year 2010-11. See "County Financial Information – San Diego County Employees' Retirement Association – General" herein.

(2) Negative numbers represent an actuarially accrued surplus.

(3) From June 30, 2001 to June 30, 2003, a number of events adversely affected the UAAL and the funded ratio, including, but not limited to, (1) effective March 8, 2002, the Board of Supervisors increased retirement benefits for active employees which in turn increased actuarially determined liabilities, (2) investment results of the Association were below the actuarially assumed rate of 8.25% per annum as a consequence of declines in the securities market; (3) the Association adjusted several demographic assumptions based on a regular experience study conducted by its actuary that evaluates the reasonableness of the Association's assumptions and implemented those in the actuarial valuation report as of June 30, 2003; (4) the Association ceased including amounts in the Undistributed Reserve (as defined herein) as valuation assets when calculating the Association's UAAL; and (5) deviations occurred between actual experience and those assumptions used in calculating the UAAL.

(4) The UAAL and Funded Ratio indicated for the Fiscal Year ended June 30, 2002 are those calculated in an October 2002 actuarial valuation. The October 2002 actuarial valuation report reflected the contribution by the County of \$550 million of proceeds of the 2002 POBs to the Association on October 3, 2002.

(5) Employer Contributions do not include any of the amounts contributed by the County from the proceeds of the issuance of the POBs in the indicated Fiscal Years. However, such amounts are reflected in the UAAL and Funded Ratios of the Association as of the end of such Fiscal Years.

(6) Includes \$235.1 million of required contributions plus an additional discretionary contribution of \$24.9 million.

(7) Includes \$203.7 million of required contributions plus an additional discretionary contribution of \$40.0 million.

(8) Includes \$231.3 million of required contributions plus an additional discretionary contribution of \$26.9 million.

(9) Includes \$188.4 million of required contributions plus an additional discretionary contribution of \$1.1 million.

(10) Includes \$205.8 million of required contributions plus an additional discretionary contribution of \$29.6 million.

Employee Contributions Paid by the Employers. In addition to making annual contributions to the Association in accordance with the applicable actuarial valuation, the Employers also have agreed pursuant to the collective bargaining arrangements with their employee unions dating back to 1982 to pay a portion of the employees' required contribution to the Association (these payments by the Employers are referred to herein as the "Employer Offsets"). For non-safety employees, the Employer Offsets range from 3% to 9.5% of their salary, and for safety employees the Employer Offsets range from 2.75% to 16.73% of their salary. In most instances, the amount of Employer Offsets will be less than the total required employee annual contribution. See "County Financial Information – San Diego County Employees Retirement Association – Historical Funding Status" herein for information regarding payments by the Employer of Employer Offsets for each of the ten years ending June 30, 2011. See "The County – County of San Diego Employees – Negotiated Retirement Amendments" herein for a description of negotiated changes to the Employer Offsets effective July 1, 2011.

Prospective Funding Status of the Association

Table 10 below sets forth projections by the Association's actuary relating to future Employer Contribution amounts, Employer Offsets, UAAL, and funded ratio. The information contained in this table, and the related assumptions, are "forward-looking" in nature and are not to be construed as representations of fact or representations that in fact the various tabular information shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the Association's actuary and the Association, taking into account a variety of assumptions, a number of which are discussed herein. The County cannot predict whether the Association will achieve its assumed rate of return in the current or future years. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 10
PROSPECTIVE FUNDING STATUS OF THE ASSOCIATION
Fiscal Years Ended June 30, 2012 through 2020
(\$ In Millions)

Fiscal Year	Employer Contributions⁽¹⁾⁽²⁾⁽³⁾	Employer Offsets⁽¹⁾⁽²⁾⁽³⁾	Valuation Date (June 30)	UAAL⁽¹⁾⁽²⁾⁽³⁾	Funded Ratio⁽¹⁾⁽³⁾
2012	\$294	\$59	2010	\$1,566	84.3%
2013	327	42	2011	1,940	81.5
2014	388	43	2012	2,432	78.1
2015	433	45	2013	2,832	76.0
2016	429	47	2014	2,561	79.5
2017	431	49	2015	2,354	82.2
2018	443	51	2016	2,256	83.9
2019	458	53	2017	2,168	85.3
2020	473	56	2018	2,064	86.8

Source: The Segal Company.

- (1) The following assumptions have been applied in preparing the foregoing estimates:
- (a) The annual investment return on the market value of assets will be 8.00% effective July 1, 2011, based on the 8.00% assumption adopted by the Retirement Board for the June 30, 2010 valuation. Under the Retirement Board's asset smoothing method, if actual return on market value of assets is above/below the expected return on market value of assets, the difference between the actual and the expected return will be recognized over a five-year period. There was a total of \$467.9 million in unrecognized investment loss as of June 30, 2011.
 - (b) With the exception of the recognition of the above investment loss, it has been assumed that all of the other actuarial assumptions that were approved for use with the June 30, 2011 valuation will be met in the future.
 - (c) In projecting the payroll, the Actuary assumed that the estimated Fiscal Year 2011-12 payroll of \$1,090.4 million used in the June 30, 2011 actuarial valuation will increase by 4.25% per annum (3.50% inflation plus 0.75% across-the-board salary increase).
 - (d) The Employer Offsets (the County's pickup of member contributions) reflect negotiated offset savings in the current bargaining agreements which are reflected in the County's Fiscal Year 2011-12 Adopted Budget and the County's Fiscal Year 2012-13 Proposed Budget. The actuarial assumptions that these costs will increase by 4.25% per year is reflected. This is a simplifying assumption as the actual Employer Offsets amount is governed by bargaining agreements with employee groups and actual membership demographics.
 - (e) The County adopted a new General Tier B and a new Safety Tier B plan for members hired on or after August 28, 2009. There will be a gradual reduction in the employer's aggregate normal cost as a bigger portion of the Association's active workforce is covered by the less expensive Tier B plans. The cost reductions are reflected in the projections.
 - (f) The Retirement Board will not restore the 1% Contingency Reserve until after the Association has Available Earnings remaining after crediting interest to all valuation reserves.
 - (g) The Retirement Board's current valuation methodologies, such as the 20-year fixed layered amortization period for the UAAL and the five-year smoothing asset valuation method, will remain unchanged. The above projections do not reflect the impact of any assumption changes that may be adopted by the Board after the June 30, 2011 valuation.
- (2) The County is obligated to make approximately 91.0% of the annual Employer Contributions to the Association and the other participating employers are obligated to make approximately 9.0% of the annual Employer Contributions to the Association, based on the estimated relative percentage of payroll of the County and the other participating employers for Fiscal Year 2010-11.
- (3) In each year the Employer-Required Contribution and the Employer Offsets will be based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30 as reflected in the table.

Investment

General. The Retirement Law and the California Constitution grant the Retirement Board exclusive control over the investment of the Association's assets. The Retirement Law and the Constitution provide general guidelines which generally require the Retirement Board to manage the investments for the purpose of providing benefits to members, minimizing Employer Contributions, and

defraying the reasonable expenses of administering the Association. The Retirement Law and the Constitution further require the Retirement Board to manage the Association's investments prudently and to diversify investments in the manner and to the extent it deems appropriate. See "County Financial Information – San Diego County Employees Retirement Association – Investment – Investment Policy" below.

In 2009, the Retirement Board retained as its portfolio strategist Integrity Capital LLC ("Integrity Capital"), a consulting firm led by Lee Partridge, pursuant to a 39-month contract with two two-year extensions. The portfolio strategist serves as the Association's outsourced chief investment officer. Effective November 17, 2010, the ownership of Integrity Capital was acquired by Salient Partners, L.P. ("Salient"), an investment management firm based in Houston, Texas. Under this new ownership, and with the additional resources Salient provides, Integrity Capital has continued to perform under its existing contract with the Association according to its original terms. In addition, Lee Partridge continues to serve as the Association's portfolio strategist.

The Board has considered different investment management service models, including options that call for a division of responsibility as to various asset classes between internal and outside resources. A final decision has not yet been reached on whether, and if so how, the Association's current investment staffing model will change.

Investment Policy. The Retirement Board has adopted an investment policy statement, last revised in July, 2010, and related policies that set investment return and risk objectives and provide for extensive guidelines with respect to the diversification of assets, the appropriate securities, lending of securities, commission recapture, value-added strategies, proxy voting, and corporate governance issues. The Association's assets are diversified across asset classes, including equity, fixed income and real estate assets, and within asset classes. Table 11 below sets forth the Association's current asset allocation policy (the "Asset Allocation Policy"), effective as of July 1, 2010. The asset allocation policy is managed and monitored by the Association's staff with the assistance of external investment consultants. That total investment portfolio was \$8.408 billion as of June 30, 2008, \$6.192 billion as of June 30, 2009, \$6.878 billion as of June 30, 2010, \$8.255 billion as of June 30, 2011 and \$8.641 billion as of March 31, 2012.

TABLE 11
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
ASSET ALLOCATION POLICY⁽¹⁾

<u>Asset Class</u>	<u>Benchmark</u>	<u>Percentage Limits</u>		
		<u>Target</u>	<u>Min.</u>	<u>Max.</u>
Global Developed Equities	MSCI World Net Index	20%	15%	25%
Emerging Market Equities	MSCI Emerging Markets Index	5	2	10
High Yield	ML High Yield Master II	5	2	10
Private Equity ⁽²⁾		10	5	15
	Russell 3000 + 3%			
<i>Total Growth Oriented Assets</i>	<i>Target Weighted Average</i>	40	24	60
Emerging Market Debt (Local)	JP Morgan GBI – EM Global Diversified (Unhedged)	10	5	15
Global Macro/CTA	2/3 HFRI Macro + 1/3 Barclays CTA Indices	10	5	15
Relative Value Strategies	Three-Month Treasury Bills + 2%	10	5	15
US Treasuries	Barclay's 10-year UST Futures Index ⁽¹⁾	40	20	60
<i>Total Stable Value Assets</i>	<i>Target Weighted Average</i>	70	35	105
Real Estate ⁽²⁾		10	5	15
	NCREIF NPI			
Natural Resources and Other Real Assets	1/3 GSCI + 1/3 S&P MLP + 1/6 S&P Materials Index + 1/6 S&P/TSX Materials Composite Index	10	5	15
Treasury Inflation Protected Securities	Barclay's Capital US TIPS	5	2	15
<i>Total Inflation-Sensitive Assets</i>	<i>Target Weighted Average</i>	25	12	45
Total Fund	Target Weighted Average	135		

Source: San Diego County Employees Retirement Association.

⁽¹⁾ The benchmark for the cash backed portion of the 10-year Treasury futures allocation will include the return on three-month Treasury bills in addition to the Barclay's 10-year Futures Index.

⁽²⁾ Returns for the privately invested portions of the real estate, private equity and real asset portfolios will be lagged by one quarter and compared to their respective benchmark returns for the same period.

The 8.0% assumed rate of return adopted by the Retirement Board and applicable to the projection of the Association's assets and liabilities is lower than the expected compound annual passive return of the Association's Asset Allocation Policy, which is 8.1%, as calculated by the Association's Investment Consultant in December 2011. The passive rate of return is the rate that would be earned if invested in passive index funds for a selected asset allocation, e.g. funds allocated to US Equities would be invested in a S&P 500 Index fund as a passive equivalent. The investment return assumption of 8.0% recommended by the Actuary is based on a number of assumptions, including the average assumed passive rate of earnings by asset class from a sample of investment consultants to several public pension funds including the Association's investment consultant, and then applied to the Association's asset allocation policy portfolio. From 2006 through 2009, the Retirement Board elected to maintain the assumed rate of earnings at 8.25% for the applicable fiscal year, a rate acceptable to the actuary, in part because the active management portfolio strategy of the Association, including the application of the Alpha Engine strategy, which the Association no longer uses, historically yielded rates of earnings substantially higher than the rates recommended by the Actuary. See "County Financial Information – San Diego County Employees Retirement Association – Historical Investment Return".

Historical Investment Return. The historical annual net investment return on the market value of the Association's entire investment portfolio, after management fees, was 20.71% for the year ended

June 30, 2011, 0.98% for the three years then ended, 3.53% for the five years then ended and 6.46% for the ten years then ended. This compares to the 8.00% actuarial assumed rate of return that the Association's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much will be earned on the assets of the Association in future years). For the period July 1, 2011 through March 31, 2012, the investment return was approximately 5.88%.

Hedge Funds. As of June 30, 2011, the fund was invested in 11 hedge funds with an approximate market value of \$908.0 million or 13.2% of the total market value of the portfolio. As of March 31, 2012, the fund was invested in 17 hedge funds with an approximate market value of \$1.5 billion or 15.1% of the total market value of the portfolio.

Litigation Involving Prior Investment

On February 25, 2009, the United States Attorney's Office and the Federal Bureau of Investigation arrested the two principals of WG Trading Company ("WG TC"), a limited partnership fund in which the Association invested, on charges of securities fraud, wire fraud, and conspiracy to commit securities fraud and wire fraud. On the same day, all entities connected with the principals of WG TC were placed in receivership at the request of the U.S. Securities and Exchange Commission (the "SEC") and Commodity Futures Trading Commission ("CFTC"). As of December 31, 2008, the Association had \$78 million (including retained earnings) invested with WG TC as reported by WG TC. On December 31, 2008, based on WG TC's refusal to promptly and completely answer all questions presented during a due diligence investigation, the Association terminated the WG TC relationship and requested a full redemption of its investment. The decision to terminate the WG TC relationship was a result of issues and concerns that arose during the due diligence review. Fraud was not suspected at the time. The Association's agreement with WG TC allows for a six-month redemption window. The assets were not returned to the Association prior to WG TC being placed in receivership.

To preserve its interests in the holdings of WG TC, on March 25, 2009 the Association filed a motion to intervene in the two lawsuits brought by the CFTC and the SEC against WG TC, its principals and certain related entities. The motion to intervene was summarily denied, from which denial the Association has appealed; however that appeal is unlikely to be pursued, given the Association's subsequent appeal discussed below. In July 2009, the Chief Compliance Officer of WG TC pleaded guilty to certain charges. In July 2010, Paul Greenwood, one of the two principals of WG TC, pleaded guilty to seven counts alleging violations of federal law, including securities fraud, wire fraud, commodities fraud, conspiracy, and money laundering. The receiver appointed by the United States District Court for the Southern District of New York (the "Receiver") has filed reports asserting that WG TC was operated as part of a Ponzi scheme because funds of WG TC were intermingled with those of a sister entity, which was found by the court to have been operated as a Ponzi scheme. The Receiver proposed that WG TC's assets be distributed pro rata to investors in both WG TC and its insolvent sister entity, not just to investors in WG TC. The Association and six other WG TC limited partners filed joint objections to the Receiver's proposal. However, at a hearing on the proposal held March 16, 2011 in the receivership proceedings, the United States District Court for the Southern District of New York approved the Receiver's plan of distribution, and on March 21, 2011, entered an order directing the Receiver to make a distribution in accordance with the plan. Although the Association and six other WG TC limited partners have appealed the District Court's ruling to the United States Court of Appeals for the Second Circuit seeking a greater share of distributions on equitable grounds, the interim distribution pursuant to that ruling has been made, including a distribution of approximately \$35 million to the Association, leaving approximately \$50 million of receivership assets for future distribution to investors. The appeal is set for oral argument on May 16, 2012. The receiver has also recently filed a motion in the district court seeking permission to make a second distribution; there is no hearing date set for the motion,

although it is fully briefed. The likelihood of success of the Association's appeal, and the amount of additional future distributions the Association may receive, cannot be assessed at this time.

Transfers of Investment Earnings by the Association

Introduction. Pursuant to statutory authority under the Retirement Law, the Retirement Board annually directs the crediting of the Association's investment earnings to reserves, some of which are part of valuation assets and some of which are not. Valuation assets are those assets used in calculating the UAAL and the funded ratio. For the purpose of such crediting, the Retirement Board has defined investment earnings as current income (i.e., the interest, dividends, and rents) plus net realized capital gains on the book value of the Association's valuation and non-valuation assets. All of the Association's investment earnings are transferred to and kept in a reserve entitled the "Undistributed Reserve," and from there such earnings are transferred in accordance with Retirement Board policy. The Undistributed Reserve is currently not part of valuation assets and, except in certain limited circumstances described herein, amounts in the Undistributed Reserve are not included as assets for purposes of calculating the Association's UAAL.

Pursuant to the statutory authority of the Retirement Law, the Retirement Board has adopted an "Interest Crediting and Excess Earnings Policy", most recently amended in August 2007, which directs that investments earnings be transferred from the Undistributed Reserve to the following Association reserves, effectively, in the following order. First, such earnings are credited to the Association's valuation assets up to an amount determined by the Retirement Board's policies, currently in an amount equal to 8.00% of the value of the Association's valuation assets as of the end of the prior fiscal year. Second, a portion of such earnings is transferred to an Association Contingency Reserve (the "Association Contingency Reserve") to maintain the amount on deposit in the Association Contingency Reserve, which is not part of valuation assets, equal to one percent of the total market value of assets of the Association. The Association may transfer amounts from the Association Contingency Reserve to valuation assets when current investment earnings are insufficient to credit the valuation asset reserves with the 8.00% interest target. Earnings in excess of the amounts transferred to the Association Contingency Reserve are referred to herein as "Excess Earnings." The Association currently uses the change in actuarial value methodology to calculate Excess Earnings.

The Retirement Law permits the Association to use any Excess Earnings to fund the County Contribution Reserve to reduce any UAAL, to fund existing supplemental benefit reserves, and to fund new supplemental benefits, as may be adopted by the Retirement Board.

Excess Earnings Policy. The Retirement Board adopted an Excess Earnings Policy effective July 1, 2007 (the "Excess Earnings Policy") pursuant to which, after crediting the mandatory reserves with the assumed rate of interest, Excess Earnings would be available as follows:

- If the funded ratio of the Association as of any Fiscal Year end is below 90%, all Excess Earnings will be used to fund the pension liability.
- If the funded ratio of the Association as of any Fiscal Year end is between 90% and under 100%, 75% of Excess Earnings will be used to fund the pension liability and the remaining 25% will be available to the Retirement Board for use at its discretion.
- If the funded ratio of the Association as of any Fiscal Year end is between 100% and under 115%, 50% of Excess Earnings will be placed in the Association Contingency Reserve and 50% will be available to the Retirement Board for use at its discretion.

- If the funded ratio of the Association as of any Fiscal Year end is 115% or greater, the Retirement Board has total discretion as to the use of Excess Earnings.

Allocation of Excess Earnings to reserves that are not part of valuation assets may impact the UAAL and thus the amount of Employer Contributions required to fund pension benefits in the future. When earnings are held outside of valuation assets, those amounts are not available to decrease the UAAL because they are not available to pay benefits under the County's pension plan.

Historical Transfers of Investment Earnings. Table 12 below sets forth the amount of the Association's investment earnings that the Retirement Board has transferred from the Undistributed Reserve into reserves that are separate from valuation assets during the ten fiscal years ending June 30, 2011.

TABLE 12
TRANSFERS OF INVESTMENT EARNINGS
TO NON-VALUATION RESERVES
Fiscal Years Ended June 30, 2002 through 2011
(In Millions)

<u>Fiscal Year</u>	<u>Post-Retirement Healthcare⁽¹⁾</u>	<u>STAR COLA⁽²⁾</u>	<u>Contingency Reserve⁽³⁾</u>	<u>Total</u>
2002	\$117.0	\$24.2	\$35.3	\$176.5
2003	0.0	0.0	0.0	0.0
2004	0.0	19.6	19.8	39.4
2005 ⁽⁴⁾	0.0	9.3	8.5	17.8
2006	31.4	10.0	9.7	51.1
2007 ⁽⁵⁾	0.0	26.4	11.1	37.5
2008	0.0	0.0	(0.4)	(0.4)
2009	0.0	0.0	(2.2)	(2.2)
2010	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0
Total ⁽⁶⁾	<u>\$193.9</u>	<u>\$97.7</u>	<u>\$81.8</u>	<u>\$373.4</u>

Source: The Association.

- (1) Reflects amounts that the Association transferred to the Health Reserve from Excess Earnings for Fiscal Years 2001-02 through 2010-11. The Health Reserve was originally established to hold amounts with which the Association reimbursed the County for amounts that the County contributed for the payment of post-retirement healthcare benefits. See footnote ⁽⁵⁾ below regarding the restructuring of the Health Reserve in Fiscal Year 2007-08.
- (2) Reflects amounts that the Association has transferred from Excess Earnings to a reserve established for the payment of STAR COLA. The Association began providing STAR COLA benefits in the year ended June 30, 1999, and transfers to the STAR COLA reserve began in the year ended June 30, 1998. The STAR COLA reserve was originally established to hold amounts to fund a supplemental targeted cost of living adjustment. See footnote ⁽⁵⁾ below regarding the restructuring of the STAR COLA reserve effective with the June 30, 2007 Valuation Report.
- (3) Reflects amounts that the Association has transferred from the Association's investment earnings to the Association Contingency Reserve. The Association Contingency Reserve was created in the Fiscal Year ended June 30, 2002. Before the creation of the Association Contingency Reserve, the 1% contingency amounts required by the Retirement Law were maintained in the Undistributed Reserve and were not separated from valuation assets.
- (4) The Retirement Board determined that no amounts would be transferred from Excess Earnings to the Health Reserve for the year ended June 30, 2005 based on a determination that the amounts on deposit in the Health Reserve at the time was sufficient to pay post-retirement healthcare benefits for at least 5 years from the date of determination.
- (5) In Fiscal Year 2007-08, the Health Reserve was restructured as a "Supplemental Benefits Reserve". See "County Financial Information – Supplemental Pension Benefits" herein. Effective for the June 30, 2007 Valuation Report, the STAR COLA became a prefunded supplemental benefit for certain retirees. The \$26.4 million shown in this table was the amount that, in addition to the balance in the STAR COLA Reserve, was needed to accomplish the prefunding. See "County Financial Information – STAR COLA Benefits" herein.
- (6) Reflects the sum of the deposits for the years shown, not the current balance in the reserves.

In certain of the years indicated in the foregoing table, the amounts credited to the STAR COLA reserve and the Health Reserve were actually transferred after the end of the fiscal year with retroactive effect. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA or health benefits, when in active service, were paid.

Reserve Levels. As of June 30, 2011, no funds were on deposit in the Association Contingency Reserve, \$90.5 million was on deposit in the Supplemental Benefits Allowance Reserve (restructured from the Health Reserve during Fiscal Year 2007-08), \$11.9 million was on deposit in the Disability Supplemental Benefits Allowance Reserve, \$6.0 million was on deposit in the 401(h) Reserve (see “Post-Retirement Healthcare Benefits - Funding Source for Post-Retirement Healthcare Benefits” below) and no funds were on deposit in the STAR COLA or Undistributed Earnings Reserve. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve. See “County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association” and “County Financial Information – STAR COLA Benefits” and “County Financial Information – Supplemental Pension Benefits” herein.

Post-Retirement Healthcare Benefits

General. The Association offers to eligible retirees a health insurance allowance to offset or reimburse the cost of medical insurance premiums. A variety of healthcare and dental plans with varying providers and levels of premiums are sponsored by the Association. Once a retiree elects a particular healthcare or dental plan, the amount of the premium is deducted from the retiree’s monthly retirement check. Alternatively, retirees may be reimbursed for health insurance premiums of non-Association sponsored plans. Effective July 1, 2007, the Association limited the health insurance allowance to retirees who retired under the Tier I or Tier II plan.

Nature of the Post-Retirement Healthcare Payments. The Retirement Law does not require the Association to provide any post-retirement healthcare payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain post-retirement healthcare benefits (although some members of the Association have stated that the County did promise retirees such benefits, which the County disputes). Therefore, in the view of County Counsel, the Association’s payment of post-retirement healthcare benefits is an unvested benefit which can be cancelled at any time and for any reason by the Association. Nonetheless, the Association has continuously provided post-retirement healthcare benefits for many years.

Funding Source for Post-Retirement Healthcare Benefits. The Retirement Law authorizes a mechanism for the payment of post-retirement healthcare benefit costs pursuant to which a portion of the Employers’ pension contributions are applied to the payment of these post-retirement healthcare benefits and the amounts of those contributions are credited to the Employers’ valuation assets. In years past, the County designated up to 25% of its respective normal cost and employer offset annual contributions to the payment of the monthly medical allowance and Medicare Part B premium reimbursement to be recorded in a separate account (the 401(h) account) under the provisions of section 401(h) of the Internal Revenue Code. The designated amounts were determined by funding the post-retirement healthcare benefits on a pay-as-you-go basis. Upon receiving the County’s 401(h) contribution, the Association would transfer an equal amount from the Health Reserve to the County Contribution Reserve (part of the Association’s valuation assets) as a credit for the County’s current-year contribution. Beginning on July 1 of Fiscal Year 2007-08, the funding mechanism changed. See “*Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits*” herein. Benefits paid to retirees from the 401(h) account are non-taxable.

Reporting Requirements Regarding Post-Retirement Benefits. In 2004, the Governmental Accounting Standards Board (“GASB”) issued two statements that address other post-employment benefits (“OPEB”), which are defined to include post-retirement healthcare benefits. GASB Statement No. 43, Financial Reporting for Post-employment Benefits Plans Other Than Pension Plans (“GASB 43”)

and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (“GASB 45”), establish accounting and financial reporting standards for OPEB in a manner similar to those currently in effect for pension benefits. The provisions of GASB 43 focus on the entity that administers such benefits (the Association) while GASB 45 focuses on the employer’s reporting requirements (the County). The Statements require an actuarial valuation to determine the funded status of benefits accrued, along with other required information to be disclosed by the Association and the County. The Retirement Board adopted and implemented the provisions of GASB 43 as part of the Association’s comprehensive annual financial report for the Fiscal Year ended June 30, 2007. The County has included the required disclosures beginning with the County’s comprehensive annual financial report for the Fiscal Year ended June 30, 2008. The requirements that GASB 45 imposes on the County only affect the County’s financial statements and would not impose any requirements regarding the funding of any OPEB plans.

Valuation of the Association’s Post-Retirement Healthcare Benefits. The Association’s actuary conducted an OPEB valuation as of June 30, 2010 (the “2010 OPEB Valuation”) with respect to the eligible retirees and the benefit levels set by the Association. The 2010 OPEB Valuation reflected an increase in the actuarial accrued liability of \$6.4 million from June 30, 2008. The 2010 OPEB Valuation also reflected an annual required contribution of 1.91% of payroll, which is an increase from the annual required contribution of 1.80% of payroll as of June 30, 2008, the date of the prior OPEB valuation. The change in the actuarial accrued liability and the annual required contribution are attributable to an increase in liabilities due to updated discount and mortality rate assumptions. The annual required contribution in the 2010 OPEB valuation will be used to determine the contribution requirement for Fiscal Years 2011-12 and 2012-13. The assumptions used in the 2010 OPEB Valuation included an individual entry-age normal cost method, 8.00% investment rate of return and a separate declining 20-year basis starting June 30, 2007, amortized as a level dollar amount. The next OPEB valuation will be as of June 30, 2012 and then every two years thereafter. Any changes made by the Retirement Board to the assumed investment rate of return will apply to future OPEB valuations.

Table 13 below sets forth the historical funding status of the Association's OPEB and the historical employer contribution amounts.

TABLE 13
HISTORICAL FUNDING STATUS
FOR POST-RETIREMENT HEALTHCARE BENEFITS
Years Ended June 30, 2007 through 2011
(\$ in thousands)

Funding Progress

Valuation Date	Valuation Assets	AAL	UAAL	Funded Ratio
June 30, 2007	\$ -- ⁽¹⁾	\$ 235,755	\$ 235,755	0.0%
June 30, 2008	18,206	217,559	199,353	8.4
June 30, 2010	9,221	206,447	197,226	4.5

Employer Contributions

Year Ended	Annual Required Contribution	Contributions Made	Percentage of Required Contribution Made
June 30, 2008	\$ 23,616	\$ 23,616	100.0%
June 30, 2009	23,237	23,237	100.0
June 30, 2010	18,789	18,789	100.0
June 30, 2011	18,028	18,028	100.0

Source: The Association's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 – Required Supplemental Information, citing the Segal Group, Inc. Biannual Actuarial Valuation.

⁽¹⁾ Excludes \$18.2 million available for benefits.

Payment of the Annual Required Contribution for Post-Retirement Healthcare Benefits. The County and other employers have determined to pay the ARC as calculated by the Association's actuary. The payment of the ARC is in addition to the Employers' regular pension contributions and is contingent upon the Association continuing to limit the retiree healthcare benefits to the Tier I and Tier II retirees and at levels no greater than were in effect on December 5, 2006, which are those benefit levels described under the caption "Post-Retirement Healthcare Benefits – General" herein. For the Fiscal Year ended June 30, 2011, the employers collectively paid \$18.0 million to the Association for deposit into the 401(h) account, which satisfied the ARC for that year.

Historical Payments. Table 14 below sets forth the amounts for each of the ten years ended June 30, 2011 that the Association has paid to its members for post-retirement healthcare benefits.

TABLE 14
PAYMENTS FOR POST-RETIREMENT
HEALTHCARE BENEFITS
Years Ended June 30, 2002 through 2011

Fiscal Year Ended June 30	Payments for Retiree Healthcare Benefits (in millions)
2002	14.3 ⁽¹⁾
2003	20.0 ⁽¹⁾
2004	26.4 ⁽¹⁾
2005	32.6
2006	32.9
2007	35.3
2008	24.4 ⁽²⁾
2009	23.6
2010	23.3
2011	21.5

Source: The Association.

⁽¹⁾ A portion of the indicated amounts are allocated to the administrative expenses related to the provision of the post-retirement healthcare benefits.

⁽²⁾ Beginning with Fiscal Year 2007-08, healthcare benefits were paid from the 401(h) account, which had an available balance of \$18.8 million on June 30, 2007 and received contributions from the employers of \$23.6 million during that fiscal year.

Supplemental Pension Benefits

Beginning July 1 of Fiscal Year 2007-08, the Association stopped paying a non-taxable healthcare benefit to its previously eligible General Tier A retirees and Safety retirees covered by the 3% at age 50 benefit formula, and instead started paying to them a taxable pension supplement based on years of service. The source of these payments is the former Healthcare Reserve, which was converted to a Supplemental Benefit reserve. The supplemental benefit allowance ("SBA") ranges from \$200 per month (10 years of service) to \$400 per month (20 or more years of service). During Fiscal Year 2010-11, a total of \$20.5 million was paid from this reserve to Tier A retirees, leaving a balance in the reserve of \$90.5 million on June 30, 2011 that is expected to provide for payments to eligible members through approximately 2017. In addition, the Association set aside \$20.7 million in excess earnings from Fiscal Year 2006-07 to provide a taxable pension supplement to General Tier A members and Safety members covered by the 3% at age 50 benefit formula who retire because of a disability. Members who are granted a disability retirement and determined to be totally disabled are eligible for the maximum SBA (\$400 per month) regardless of years of service. Members with less than 10 years of service credit who are granted a disability retirement and determined to be partially disabled are eligible for the minimum SBA (\$200 per month). During Fiscal Year 2010-11, a total of \$2.4 million was paid to these disability retirees, leaving a balance in the Disability Supplemental Benefit Allowance Reserve on June 30, 2011 of \$11.9 million.

STAR COLA Benefits

General. The STAR COLA benefits provide retirees with additional cost-of-living adjustments. The Retirement Board's STAR COLA policy preserves 80% of a retiree's purchasing power calculated against when that retiree retired. The Retirement Law does not require the Association to provide any STAR COLA payments. In addition, in the opinion of County Counsel, the County has not entered into any collective bargaining agreements or other arrangements that require the County or the Association to maintain STAR COLA benefits.

Prefunding of STAR COLA Benefits. On August 2, 2007, the Retirement Board approved a permanent STAR COLA pre-funded supplemental cost-of-living increase benefit for eligible members. This action resulted in the transfer of the assets from the STAR COLA Reserve to valuation assets and the liability for the STAR COLA benefits for eligible members to be incorporated into the overall liabilities of the retirement fund. Eligible members are those whose accumulations equaled or exceeded 20 percent as of January 1, 2007. By this definition, eligible members are Tier 1 members who retired on or before March 31, 1982 and Tier II members who retired on or before March 31, 1989. The permanent STAR COLA benefit will be equal to the STAR COLA amount payable as of April 1, 2007 under the applicable laws. Effective April 1, 2008, this benefit is subject to the same cost-of-living increase paid by the Association on every April 1 up to 3% per annum.

Historical Practice and Payments. Prior to the August 2, 2007 Retirement Board action, the Retirement Board's historical practice had been to maintain an amount in the STAR COLA reserve that the Association's actuary estimated would be necessary to cover the costs of the STAR COLA benefits for current eligible retirees for five years. Each year, the Association's actuary prepared an estimate of the amounts necessary to be contributed to the STAR COLA reserve to meet this targeted level. For a discussion on actions of the Retirement Board with respect to the transfer of certain Excess Earnings to the Health Reserve and the STAR COLA reserve, see "County Financial Information – San Diego County Employees Retirement Association – Transfers of Investment Earnings by the Association" herein.

Table 15 below sets forth the amounts paid by the Association to retirees out of the STAR COLA reserve since 2001. The Association does not track either the Employer or the departments or funds of any Employer from which retired personnel receiving STAR COLA benefits, when in active service, were paid.

TABLE 15
PAYMENTS FROM STAR COLA RESERVE
Since Fiscal Year Ended June 30, 2001

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Payments from STAR</u> <u>COLA Reserve (in millions)</u>
2001	\$ 8.2
2002	8.1
2003	7.2
2004	11.3
2005	11.0
2006	10.7
2007	10.4
since 2008 ⁽¹⁾	0.0

Source: The Association.

⁽¹⁾ As a result of the restructuring of the STAR COLA Reserve effective with the June 30, 2007 Valuation Report, the STAR COLA Reserve has held no assets since Fiscal Year 2007-08 and the liability for STAR COLA benefits are incorporated into the overall liabilities of the retirement fund.

Pension Obligation Bonds

Introduction. The County has issued taxable pension obligation bonds (“POBs”) from time to time and transferred the proceeds to the Association to reduce the UAAL existing at the time of issuance of the POBs. Under California law, the obligation to fund the UAAL by making actuarially required contributions is an obligation imposed by law. The effect of issuance of POBs is to finance that obligation and convert it from an obligation to make actuarially required contributions to an obligation to make interest and principal payments on bonds which are sold to the public.

County Pension Obligation Bonds. In February 1994, the County issued \$430,430,000 in principal amount of POBs (the “1994 POBs”) and in October 2002 the County issued an additional \$737,340,000 in principal amount of POBs (the “2002 POBs”), in part to refund a portion of the 1994 POBs. In June 2004, the County issued \$454,112,915.70 in principal amount of POBs (the “2004 POBs”). The County has contributed to the Association an aggregate amount of \$1,428,500,000 from the issuance of the 1994 POBs, the 2002 POBs and the 2004 POBs to reduce the UAAL. On August 15, 2007, the County prepaid in full all of the \$100 million Series 2002C PINES and on February 15, 2008, the County prepaid \$20 million of the Series 2002B-1 POBs (herein defined) with available cash, these two prepayments resulted in over approximately \$7.5 million of annual interest savings to the County. In August 2008, the County prepaid \$44 million of its Series 2002B-1 POBs, which resulted in approximately \$3.06 million of annual interest savings to the County. On August 7, 2008, the County issued \$443,515,000 aggregate principal amount of Taxable Pension Obligation Bonds, Series 2008A (the “2008A POBs”) and Series 2008B (Variable Rate Demand Obligations) (the “2008B POBs” and, together with the 2008A POBs, the “2008 POBs”). The proceeds of the 2008 POBs were used to refund all of the then-outstanding 2002 B1-B4 POBs that were originally issued as auction rate securities (the “2002B POBs”). On July 1, 2009, the County prepaid in full all of the \$100 million Series 2008B POBs, which

resulted in approximately \$4.5 million of annual interest savings. As of May 1, 2012, the County had POBs outstanding in the aggregate principal amount of \$806.3 million. The County may, from time to time, finance all or a portion of the UAAL employer contributions through the additional issuances of POBs. The County has no variable rate POBs outstanding. See “County Financial Information – General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans” herein.

Pension Related Payments and Obligations

Payments. Table 16 below sets forth the historical and estimated Employer Contributions, Employer Offsets and POB debt service for Fiscal Years 2009 through 2018. The estimates and related assumptions are “forward-looking” in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 16
PENSION RELATED PAYMENTS
Fiscal Years Ended June 30, 2011 through 2020
(In Millions)

<u>Fiscal Year</u>	<u>Employer Contributions⁽¹⁾</u>	<u>Employer Offsets⁽²⁾</u>	<u>County Pension Obligation Bonds Debt Service⁽³⁾</u>	<u>Total</u>
2011 ⁽⁴⁾	\$235.4	\$68.4	\$81.3	\$385.10
2012 ⁽⁵⁾	294.0	59.0	81.4	434.4
2013 ⁽⁵⁾	341.0	42.0	81.4	464.4
2014 ⁽⁵⁾	388.0	43.0	81.4	512.4
2015 ⁽⁵⁾	433.0	45.0	81.4	559.4
2016 ⁽⁵⁾	429.0	47.0	81.4	557.4
2017 ⁽⁵⁾	431.0	49.0	81.3	561.3
2018 ⁽⁵⁾	443.0	51.0	81.4	575.4
2019 ⁽⁵⁾	458.0	53.0	81.4	592.4
2020 ⁽⁵⁾	473.0	56.0	81.4	610.4

Source: The Segal Company; County of San Diego.

(1) These contribution amounts reflect the aggregate contribution amount of all Employers and not only that of the County. The County share of Employer Contributions and Employer Offsets are estimated to be approximately 91.0% based on the estimated relative percentage of payroll of the County for Fiscal Year 2011-12. See “County Financial Information – San Diego County Employees’ Retirement Association – General” herein.

(2) Employer Offsets for Fiscal Year ended June 30, 2012 and forward reflect negotiated offset savings in the current bargaining agreements, which are reflected in the County’s Fiscal Year 201-12 Adopted Budget and the County’s Fiscal Year 2012-13 Preliminary Budget estimates.

(3) Consists of regular principal and interest payments. Prepayment amounts are allocated to the fiscal years in which the associated principal and interest payments are due.

(4) Actual, includes \$205.8 million of required contributions plus an additional discretionary contribution of \$29.6 million.

(5) Estimated. The amounts indicated are subject to the same assumptions as set forth in footnotes (1) through (3) to the “Prospective Funding Status of the Association” table herein.

Pension-Related Obligations. Table 17 below sets forth the historical and estimated UAAL and expected outstanding principal amounts of POBs for the years indicated, assuming no additional POBs are issued and the outstanding POBs mature on their respective amortization schedules. The estimates contained in Table 17 and the related assumptions are “forward-looking” in nature and are not to be construed as representations of fact or representations that in fact the various estimates shown will be the correct amounts for the years indicated. Rather, these reflect good faith estimates by the County taking into account a variety of assumptions, a number of which are discussed herein. Accordingly, prospective investors are cautioned to review these estimates as general indications of orders of magnitude and not as precise amounts.

TABLE 17
COUNTY PENSION RELATED OBLIGATIONS
Fiscal Years Ended June 30, 2011 through 2020
(In Millions)

<u>Fiscal Year</u>	<u>UAAL</u> ⁽²⁾	<u>Outstanding Pension Obligation Bonds</u> ⁽¹⁾	<u>Total Outstanding Obligations</u>
2011	785.6	\$841.3	\$1,626.9
2012	1,566	806.8	2,372.8
2013	1,940	770.5	2,710.5
2014	2,432	732.3	3,164.3
2015	2,832	692.3	3,524.3
2016	2,561	649.9	3,210.9
2017	2,534	605.5	3,139.5
2018	2,256	558.5	2,814.5
2019	2,168	508.8	2,676.8
2020	2,064	456.0	2,520.0

Source: The Segal Company; County of San Diego.

⁽¹⁾ Includes a portion of the 2004 POBs issued as capital appreciation bonds (the “CABs”), for which interest accretes semiannually on February 15 and August 15, but is not payable until the final maturity of each respective capital appreciation bond. The initial total issuance amount of the CABs was \$64,927,915.70, which will accrete to a total maturity value of \$100,170,000 over the respective maturity dates commencing August 15, 2009 and ending August 15, 2015.

⁽²⁾ Estimated. The UAAL information is based on the UAAL as reported in the actuarial valuation dated as of the end of the second preceding year ended June 30, which is the amount that impacts the Employer Required Contribution and Employer Offsets in any given fiscal year. The amounts indicated are subject to the same assumptions as set forth in footnote (1) to the “Prospective Funding Status of the Association” table herein.

Risk Management

The County is required to obtain and maintain general liability insurance and workers’ compensation insurance under various types of its financing lease obligations. These financing leases generally require general liability insurance to be issued by a responsible carrier or be in the form of self-insurance or self-funding to cover claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the facilities covered by such leases, affording protection with a combined single limit loss of not less than \$5,000,000 per occurrence with respect to bodily injury, death or property damage liability. In addition, these financing leases generally require the County to obtain and maintain workers’ compensation insurance issued by a responsible carrier or in the form of self-insurance or self-funding for all persons provided coverage by the County for workers’ compensation benefits in connection with the facilities covered by such leases and to cover full liability

for compensation under the labor code requiring workers' compensation. Any self-insurance or self-funding for these risks is subject to certain conditions, including, but not limited to, providing evidence of self-insurance and annual certification to the trustee with respect to such financing leases by an authorized representative of the County's risk management division or an independent insurance consultant of the sufficiency of coverage. Appropriation of such funds as may be necessary for self-funding, are made by the County.

The County operates a Risk Management Program, whereby it is self-insured for general liability, medical malpractice, errors and omissions, and workers' compensation. The County purchases insurance for all risk property damage, boiler and machinery, earthquake on specified locations and certain casualty claims, such as airports, sheriff helicopters, and employee dishonesty and faithful performance of duties. The amount of coverage varies depending on the type of policy. Settlements in the areas covered have not exceeded insurance coverage for each of the past three fiscal years. The County allocates the cost of providing claims service to all its operating funds as a "premium" charge expressed as a percentage of payroll. In accordance with Government Accounting Standards Board Statement 10, "Accounting and Financial Reporting for Risk Financing and Relating Insurance Items," the County established two Internal Service Funds, the Public Service Liability Fund and the Employee Benefits Internal Service Fund to report all of its uninsured risk management activities. Risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Actuarial evaluations were obtained which determine estimates of known and projected general liability and workers compensation claim liabilities. At June 30, 2011, the amount of these actuarial liabilities amount to \$29.0 million for the public liability and \$106.6 million in workers' compensation. The June 30, 2011 available cash balances for the ISFs combined were \$136.0 million.

The County will continue to purchase excess workers' compensation insurance for Fiscal Year 2011-12. The County does not carry excess liability insurance at this time.

Litigation

There is no pending litigation that would materially impact the ability for the County to pay its obligations.

Short-Term Borrowing

In July 2011, the County issued its Tax and Revenue Anticipation Note Program Note Participations, Series 2011 (the "2011 TRANs") on behalf of itself and certain school districts within the County in an aggregate principal amount of \$181,295,000, of which \$50,000,000 represent notes issued by the County. The 2011 TRANs mature on June 29, 2012. The 2011 TRANs were issued for the purpose of financing seasonal cash flow requirements for general fund expenditures.

General Obligation Debt, Pension Obligation Bonds, Lease Obligations and Long-Term Loans

The County has no outstanding general obligation bonds. As of May 1, 2012, the County had POBs outstanding in the aggregate principal amount of \$806.3 million. Starting with the financing of the El Cajon Administrative Building in 1955, the County has made use of various lease arrangements with joint powers authorities, a nonprofit corporation, a redevelopment agency and private parties to finance capital project needs. Under these arrangements, the financing entity usually constructs or acquires capital assets with the proceeds of lease revenue bonds ("LRBs") or certificates of participation ("COPs") and then leases the asset or assets to the County. As of May 1, 2012, the County had LRBs and COPs outstanding in the aggregate principal amount of \$395.1 million. As of May 1, 2012, there were approximately \$1.2 billion aggregate principal amount of long-term general fund obligations outstanding.

The annual long-term lease payments and annual debt service payments on the LRBs, COPs and POBs of the County aggregate to approximately \$120.1 million for Fiscal Year 2011-12 and will aggregate to approximately \$120.3 million for Fiscal Year 2012-13. Debt service on the aforementioned obligations and evidences of indebtedness are paid from amounts in the County's General Fund, a portion of which is reimbursed with amounts from various other revenue sources. The County has no outstanding variable rate obligations and does not have an outstanding liquidity facility in support of payment of any of its outstanding bonds payable from general fund revenues. See "County Financial Information – Pension Obligation Bonds" herein.

Table 18 below sets forth a summary of long-term obligations payable from the General Fund:

TABLE 18
COUNTY OF SAN DIEGO
SUMMARY OF LONG-TERM BONDED OBLIGATIONS
PAYABLE FROM THE GENERAL FUND
As of May 1, 2012
(In Thousands)

	<u>Interest Rates</u>	<u>Final Maturity Dates</u>	<u>Original Principal Amounts</u>	<u>Principal Amounts Outstanding</u>
Certificates of Participation and Lease Revenue Bonds				
San Diego County Capital Asset Leasing Corporation ("SANCAL"):				
1993 Master Refunding, issued May 1993	2.50-5.63%	2012	\$ 203,400	\$ 3,800
2005 RCS Refunding, issued February 2005	3.00-5.00%	2019	28,885	11,120
2005 Edgemoor, issued February 2005	3.00-5.00%	2030	83,510	71,780
2005 North and East County Justice Facility Refunding, issued September 2005	3.25-5.00%	2019	28,210	18,065
2006 Edgemoor Completion Project, issued December 2006	4.00-5.00%	2030	42,390	38,415
2009 Justice Facilities Refunding, issued October 2009	2.00-5.00%	2025	80,940	68,250
2011 CAC Waterfront Park, issued August 2011	3.00 – 5.13%	2042	<u>32,665</u>	<u>32,665</u>
Total SANCAL			<u>\$ 467,335</u>	<u>\$ 244,095</u>
San Diego Regional Building Authority (SDRBA):				
2009 COC Phase 1A, issued February 2009	3.00-5.375%	2036	136,885	133,755
2011 MTS Tower Refunding, issued May 2011	1.00-5.00%	2019	<u>19,260</u>	<u>17,265</u>
Total SDRBA			<u>\$ 156,145</u>	<u>\$ 151,020</u>
Total Certificates of Participation and Lease Revenue Bonds			<u>\$ 623,480</u>	<u>\$ 395,115</u>
Taxable Pension Obligation Bonds:				
County of San Diego Pension Obligation Bonds, issued October 2002				
Series A	3.88-4.95%	2015	\$ 132,215	\$ 69,505
County of San Diego Pension Obligation Bonds, issued June 2004				
Series A	3.28-5.87%	2022	241,360	212,870
Series B1, B2	5.91%	2024	147,825	147,825
Series C ⁽¹⁾	4.66-5.76%	2015	64,928	61,015
Less Unaccrued Value			-	(5,814)
County of San Diego Pension Obligation Bonds, issued August 2008				
Series A	3.33-6.03%	2027	<u>343,515</u>	<u>320,940</u>
Total Pension Obligation Bonds			<u>\$ 929,843</u>	<u>\$ 806,341</u>
Total General Fund Long-Term Bonded Obligations			<u>\$ 1,553,323</u>	<u>\$ 1,201,456</u>

⁽¹⁾ Issued as capital appreciation bonds (the "CABs"), for which interest accrues semiannually on February 15 and August 15, but is not payable until the final maturity of each respective capital appreciation bond. The initial total issuance amount of the CABs was \$64,927,915.70, which will accrete to a total maturity value of \$100,170,000 over the respective maturity dates commencing August 15, 2009 and ending August 15, 2015.

Source: The County of San Diego Auditor and Controller.

Table 19 below sets forth a summary of outstanding principal and interest payments attributable to long-term obligations payable from the County General Fund. Funds for all principal and interest payments due throughout the fiscal year are deposited with the applicable trustee at the beginning of the fiscal year on July 5 or, if July 5 is not a business day, the first business day after July 5.

TABLE 19
COUNTY OF SAN DIEGO
SUMMARY OF OUTSTANDING PRINCIPAL AND INTEREST PAYMENTS
ATTRIBUTABLE TO LONG-TERM OBLIGATIONS PAYABLE FROM THE GENERAL FUND

Fiscal Year	Certificates of Participation and Lease Revenue Bonds										Pension Obligation Bonds				Total General Fund Obligation
	1993 Master Refunding	2005 RCS Refunding	2005 Edgemoor	2005 North & East	2006 Edgemoor	2009 COC Phase 1A	2009 Justice Facilities Refunding	2011 MTS Tower Refunding	2011 CAC Waterfront Park	Subtotal	2002 Pension Obligation Bonds	2004 Pension Obligation Bonds	2008 Pension Obligation Bonds	Subtotal	
2012	\$3,915,000	\$ 2,961,238	\$ 6,137,663	\$ 2,717,825	\$ 3,131,983	\$ 7,626,996	\$ 9,620,725	\$ 2,647,176	\$ 759,625	\$ 39,518,229	\$20,435,532	\$ 35,320,701	\$ 25,578,765	\$ 81,334,997	\$120,853,226
2013	3,906,875	2,960,350	6,136,900	2,716,725	3,131,983	9,876,594	9,591,325	2,715,000	2,094,250	43,130,001	20,438,748	36,715,701	24,263,767	81,418,216	124,548,218
2014	0	2,962,350	6,136,150	2,724,563	3,134,783	9,874,844	7,377,475	2,668,250	2,092,000	36,970,414	20,438,346	38,210,701	22,763,875	81,412,922	118,383,336
2015	0	1,433,400	6,139,600	2,719,113	3,135,183	9,876,944	7,343,450	2,718,400	2,094,300	35,460,389	17,656,527	39,741,424	24,013,656	81,411,606	116,871,995
2016	0	1,427,750	6,140,750	2,722,300	3,132,683	9,874,744	7,341,375	2,650,000	2,091,000	35,380,601	17,656,443	41,337,148	22,420,907	81,414,497	116,795,098
2017	0	1,429,000	6,138,000	2,721,125	3,131,433	9,877,144	7,333,238	2,678,800	2,092,250	35,400,989	0	42,965,099	38,373,607	81,338,705	116,739,694
2018	0	1,427,250	6,138,000	2,719,000	3,136,183	9,878,744	7,329,625	2,693,000	2,092,900	35,414,701	0	44,717,296	36,694,015	81,411,311	116,826,013
2019	0	1,417,500	6,140,250	2,720,875	3,136,433	9,877,644	6,474,375	2,694,875	2,091,300	34,553,251	0	46,507,149	34,906,405	81,413,555	115,966,806
2020	0	0	6,139,250	2,721,375	3,132,183	9,875,044	6,474,000	1,347,875	2,092,200	31,781,926	0	48,369,669	33,038,654	81,408,323	113,190,249
2021	0	0	6,139,750	0	3,133,183	9,878,444	6,472,125	0	2,093,400	27,716,901	0	50,283,425	31,128,216	81,411,642	109,128,543
2022	0	0	6,136,250	0	3,135,983	9,876,569	6,467,500	0	2,093,400	27,709,701	0	52,322,691	29,085,382	81,408,073	109,117,774
2023	0	0	6,138,500	0	3,135,033	9,874,869	6,147,125	0	2,092,550	27,388,076	0	54,439,051	26,892,208	81,331,260	108,719,336
2024	0	0	6,135,750	0	3,135,258	9,876,394	4,171,625	0	2,091,800	25,410,826	0	56,663,519	24,750,780	81,414,299	106,825,125
2025	0	0	6,137,750	0	3,136,445	9,874,644	4,160,250	0	2,092,600	25,401,689	0	58,942,024	22,478,030	81,420,054	106,821,743
2026	0	0	6,138,750	0	3,133,383	9,874,813	2,916,125	0	2,092,000	24,155,070	0	0	81,415,400	81,415,400	105,570,470
2027	0	0	6,138,250	0	3,136,070	9,878,438	0	0	2,092,688	21,245,445	0	0	67,113,947	67,113,947	88,359,392
2028	0	0	6,135,750	0	3,133,813	9,877,625	0	0	2,091,675	21,238,863	0	0	0	0	21,238,863
2029	0	0	6,140,750	0	3,136,438	9,875,106	0	0	2,091,450	21,243,744	0	0	0	0	21,243,744
2030	0	0	6,137,250	0	3,133,500	9,878,706	0	0	2,094,200	21,243,656	0	0	0	0	21,243,656
2031	0	0	0	0	0	9,877,506	0	0	2,089,200	11,966,706	0	0	0	0	11,966,706
2032	0	0	0	0	0	9,874,700	0	0	2,089,575	11,964,275	0	0	0	0	11,964,275
2033	0	0	0	0	0	9,876,200	0	0	2,092,819	11,969,019	0	0	0	0	11,969,019
2034	0	0	0	0	0	9,875,663	0	0	2,092,731	11,968,394	0	0	0	0	11,968,394
2035	0	0	0	0	0	9,877,013	0	0	2,089,313	11,966,325	0	0	0	0	11,966,325
2036	0	0	0	0	0	9,878,906	0	0	2,092,563	11,971,469	0	0	0	0	11,971,469
2037	0	0	0	0	0	0	0	0	2,091,969	2,091,969	0	0	0	0	2,091,969
2038	0	0	0	0	0	0	0	0	2,092,531	2,092,531	0	0	0	0	2,092,531
2039	0	0	0	0	0	0	0	0	2,093,994	2,093,994	0	0	0	0	2,093,994
2040	0	0	0	0	0	0	0	0	2,091,100	2,091,100	0	0	0	0	2,091,100
2041	0	0	0	0	0	0	0	0	2,088,850	2,088,850	0	0	0	0	2,088,850
2042	0	0	0	0	0	0	0	0	2,091,988	2,091,988	0	0	0	0	2,091,988
Total	<u>\$7,821,875</u>	<u>\$16,018,838</u>	<u>\$116,625,313</u>	<u>\$24,482,900</u>	<u>\$59,551,945</u>	<u>\$244,664,290</u>	<u>\$99,220,338</u>	<u>\$22,813,376</u>	<u>\$63,522,219</u>	<u>\$654,721,092</u>	<u>\$96,625,594</u>	<u>\$646,535,599</u>	<u>\$544,917,613</u>	<u>\$1,288,078,807</u>	<u>\$654,721,092</u>

Source: County of San Diego.

Anticipated Capital Financings

A Capital Improvements Needs Assessment (“CINA”) is prepared and presented annually to the Board of Supervisors to guide the development of both immediate and long-term capital projects. The CINA includes a comprehensive list of all current and anticipated capital projects over a five-year period. Capital projects are considered during the annual budget process unless the Board of Supervisors or the CAO recommends mid-year adjustments to the budget as circumstances warrant to meet emergent needs or to benefit from unusual developments or purchase opportunities. The Fiscal Year 2012-2017 CINA was approved on May 1, 2012. It includes \$571.0 million in currently approved and active projects, \$22.3 million in recently completed projects and \$477.0 million in partially funded and unfunded priority major and minor capital projects over the five-year time-frame of the CINA. A portion of the Cedar and Kettner Project will be debt financed in the summer of 2012. All other projects included in the current CINA will be funded with alternative sources of revenue.

Long-Term Financial Obligation Management Policy

In 1998, the County adopted a long-term financial strategy and policy (as amended, the “Long-Term Financial Obligation Management Policy”) to ensure sound financial management practices with respect to County or County-related obligations whose terms exceed one fiscal year (excluding leases in which payments are not securitized). Pursuant to the Long-Term Financial Obligation Management Policy, a Debt Advisory Committee (“DAC”) consisting of the Chief Financial Officer, the Auditor and Controller and the Treasurer-Tax Collector and established by the Chief Administrative Office, reviews proposed financings. DAC approval is required prior to consideration of a financing by the Board of Supervisors. The Long-Term Financial Obligation Management Policy requires that prior to any recommendation by DAC to move forward with a long-term financial obligation, there shall be an assessment of the ability to repay the obligation, identification of the funding source of repayment, evaluation of the impact of the ongoing obligation on the current budget and future budgets, assessment of the maintenance and operational requirements of the project to be financed, and consideration of the impact on the County’s credit rating. The Long-Term Financial Obligation Management Policy also provides for the filing of notices of completion on all projects within five years of their financing, continuous review of outstanding obligations for economically feasible and advantageous refinancing opportunities and the periodic reporting of unspent capital project funds through quarterly or year-end budget reports. The Long-Term Financial Obligation Management Policy prohibits the use of long-term financial obligations to fund current operations or for recurring purposes, and the issuance of variable rate obligations in excess of 15% of the County’s outstanding long-term obligations. Recently, the County’s practice of using 5% of General Fund revenue as a not-to-exceed guideline for annual debt service requirements in long-term planning has been formalized and incorporated into the Long-Term Financial Obligation Management Policy. Exceptions to the provisions of the Long-Term Financial Obligation Management Policy are permitted in extraordinary conditions.

Swap Policy

In 2004, the DAC approved an Interest Rate Swap Policy (the “Swap Policy”) establishing guidelines for the execution and management of the County’s use of interest rate and other swaps and other similar products (the transactions involving such products being referred to herein as “Swap Transactions”). The Swap Policy is reviewed, and updated as necessary, annually by the DAC. The County may integrate Swap Transactions into its overall debt and investment management programs in a prudent manner to, among other things, enhance the relationship between risk and return with respect to debt or investments, achieve significant savings as compared to products available in the cash market, provide a higher level of savings, lower level of risk, greater flexibility, or other direct benefits not available in the cash market and achieve more flexibility in meeting overall financial objectives than can

be achieved in conventional markets, all in accordance with the parameters set forth in the Swap Policy and consistent with the County's overall long-term financial obligation management policy. Pursuant to the Swap Policy, the total notional amount of all Swap Transactions executed by the County shall not exceed 30% of the outstanding principal of the County's long-term debt obligations at the time of execution. The County has no outstanding Swap Transactions.

Overlapping Debt and Debt Ratios

Table 20 sets forth a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated as of June 30, 2011. The Debt Report is included for general information purposes only. The County has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report does not include the 2012 TRANs described in the forepart of this Official Statement.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County in whole or in part. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

TABLE 20
COUNTY OF SAN DIEGO
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
(As of April 1, 2012)

SAN DIEGO COUNTY

2011-12 Assessed Valuation: \$392,987,295,552 (includes unitary utility valuation)
Redevelopment Incremental Valuation: 38,629,230,118
Adjusted Assessed Valuation: \$354,358,065,434

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/12</u>
Metropolitan Water District	18.630%	\$ 36,620,264
Grossmont-Cuyamaca Community College District	100.	188,314,045
Palomar Community College District	100.	321,028,901
San Diego Community College District	100.	952,516,940
Southwestern Community College District	100.	240,489,345
Carlsbad Unified School District	100.	201,339,909
Oceanside Unified School District	100.	217,335,045
Poway Unified School District SFID Nos. 2002-1 and 2007-1	100.	351,148,406
San Diego Unified School District	100.	1,700,845,425
San Marcos Unified School District	100.	152,379,495
Vista Unified School District	100.	130,019,882
Other Unified School Districts	100.	16,474,147
Grossmont Union High School District	100.	413,425,095
Sweetwater Union High School District	100.	333,889,415
Other Union High School Districts	100.	115,757,033
Cajon Valley Union School District	100.	97,240,000
Chula Vista City School District	100.	71,335,000
San Ysidro School District	100.	101,276,727
Other School Districts	100.	334,245,765
Otay Municipal Water District	100.	6,755,000

(Table continued on subsequent page.)

(Table continued from prior page.)

Cities	100.	106,650,000
Grossmont Healthcare District	100.	221,902,076
Palomar Pomerado Hospital District	100.	479,863,205
Community Facilities Districts	100.	1,598,963,578
1915 Act Bonds (Estimated)	100.	<u>141,035,882</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$8,530,850,580

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/12</u>
San Diego County General Fund Obligations	100. %	\$ 395,115,000
San Diego County Pension Obligations	100.	787,112,618(1)
San Diego County Superintendent of School Obligations	100.	18,750,000
Community College District Certificates of Participation	100.	11,430,000
San Marcos Unified School District Certificates of Participation	100.	55,863,327
Other Unified School District Certificates of Participation	100.	121,563,351
High School District Certificates of Participation	100.	83,585,000
Chula Vista City School District Certificates of Participation	100.	160,925,000
Other School District Certificates of Participation	100.	122,245,864
Otay Municipal Water District Certificates of Participation	100.	58,245,000
City of Chula Vista General Fund Obligations	100.	132,290,000
City of Escondido General Fund Obligations	100.	50,402,090
City of San Diego General Fund Obligations	100.	492,630,000
City of Vista General Fund Obligations	100.	115,475,000
Other City General Fund Obligations	100.	220,755,000
Special District Certificates of Participation	100.	<u>15,205,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,841,592,250
Less: Otay Municipal Water District Certificates of Participation (100% supported)		58,245,000
City of El Cajon General Fund Obligations supported by sales tax revenues		<u>25,195,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,758,152,250
 GROSS COMBINED TOTAL DEBT		 \$11,372,442,830(2)
NET COMBINED TOTAL DEBT		\$11,289,002,830

- (1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.17%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,182,227,618) 0.33%

Gross Combined Total Debt 3.21%

Net Combined Total Debt..... 3.19%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc.

SAN DIEGO COUNTY INVESTMENT POOL

General

The following information concerning the Treasury Pool of San Diego County (the “Treasury Pool”) has been provided by the Treasurer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County is required to invest funds in accordance with California Government Code Sections 53635 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. All investments in the Treasurer’s investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the County Board of Supervisors and the Treasurer’s investment policy. Pursuant to a resolution adopted July 8, 1958, the Board of Supervisors delegated to the County Treasurer the authority to invest and reinvest funds of the County. Applicable law limits this delegation of authority to a one-year period and must be renewed annually by action of the Board of Supervisors. In addition to funds of the County (and the various departments in the County, such as Public Works and Public Administration), funds of certain local agencies within the County, including school districts in the County, are required under state law to be deposited into County treasury (“Involuntary Depositors”). In addition, certain agencies, including community college districts, invest certain of their funds in the County treasury on a voluntary basis (“Voluntary Depositors” and together with the Involuntary Depositors, the “Depositors”). Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Treasury Pool” or the “Pool”). No particular deposits are segregated for separate investment.

Under State law, Depositors in the Pool are permitted to withdraw funds which they have deposited on 30 days notice. The County does not expect that the Pool will encounter liquidity shortfalls based on its current portfolio and investment guidelines or realize any losses that may be required to be allocated among all Depositors in the Pool.

The County has established an Oversight Committee pursuant to State law. The 11 members of the Oversight Committee include the County Treasurer, the Auditor and Controller, members of the public, and a representative from a special district and a school district. The role of the Oversight Committee is to review and monitor the Investment Policy that is prepared by the County Treasurer.

Treasury Pool’s Portfolio

As of April 30, 2012, the securities in the Treasury Pool had a market value of \$7,041,833,309 and a book value of \$7,022,790,000 for a net unrealized gain of \$19,043,263 of the book value of the Treasury Pool.

The effective duration for the Treasury Pool was 0.620 years as of April 30, 2012. The duration is a measure of the price volatility of the portfolio and reflects an estimate of the projected increase or decrease in the value of the portfolio based upon a decrease or increase in interest rates. A duration of 0.620 means that for every one percent increase in interest rates the market value of the portfolio would decrease by 0.620%.

As of April 30, 2012, approximately 6.39% of the total funds in the Pool were deposited by Voluntary Depositors, such as cities and fire districts, 12.73% by community colleges, 40.44% by the County, 5.38% by the Non-County and 35.06% by K-12 school districts.

Standard & Poor's Rating Group maintains ratings of "AAAF" (extremely strong protection against losses and credit defaults) and "S-1" (low sensitivity to changing market conditions) on the Pool. The ratings reflect only the view of the rating agency and any explanation of the significance of such ratings may be obtained from such rating agency as follows: Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, 55 Water Street, New York, New York 10041.

Investments of the Treasury Pool

Authorized Investments

Investments of the Pool are placed in those securities authorized by various sections of the California Government Code, which include obligations of the United States Treasury, Agencies of the United States Government, local and State bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, shares of beneficial interest in diversified management companies (mutual funds), and asset backed (including mortgage related) and pass-through securities. Generally, investments in repurchase agreements cannot exceed a term of one year and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security and the value of the repurchase agreement shall be adjusted no less than quarterly. In addition, reverse repurchase agreement generally may not exceed 20% of the base value of the portfolio and the term of the agreement may not exceed 92 days. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation. Base Value is defined as the total cash balance excluding any amounts borrowed (i.e., amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods).

Legislation which would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the California State Legislature. Monies in the Pool will be invested in compliance with California Government Code and the County's Investment Policy (the "Investment Policy").

The Investment Policy

The Investment Policy currently states the primary goals of the County Treasurer when investing public funds to be as follows: the primary objective is to safeguard the principal of the funds under the County Treasurer's control, the secondary objective is to meet the liquidity needs of the Pool Participants, and the third objective is to achieve an investment return on the funds under the control of the County Treasurer within the parameters of prudent risk management. The Investment Policy contains a goal that 50% of the Pool should be invested in securities maturing in one year or less, with the remainder of the portfolio being invested in debt securities with maturities spread over more than one year to five years. Furthermore, at least 25% of the securities must mature within 90 days. The maximum effective duration for the Pool shall be 1.50 years.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements and/or securities lending agreements to 20% of the total investments in the Pool. The Investment Policy states that the purpose of reverse repurchase agreements shall be to invest the

proceeds from the agreement into permissible securities that have the highest short-term credit ratings; to supplement the yield on securities owned by the Pool; or to provide funds for the immediate payment of an obligation. The maturity of the reverse repurchase agreement and the maturity of the security purchased shall be the same.

The County from time to time has engaged in securities lending transactions. Generally, these transactions involve the transfer by the governmental entity, through an agent, of securities to certain broker-dealers and financial institutions or other entities in exchange for collateral, and this collateral may be cash or securities. Most commonly, these transactions provide for the simultaneous return of the collateral to the securities borrower upon receipt of the same securities at a later date. Presently, the County has suspended its securities lending transactions program, but may decide to enter into a securities lending agreement in the future. Any such securities lending transactions are considered reverse repurchase agreements under the Investment Policy and, accordingly, the total principal amount of reverse repurchase agreements and securities lending agreements may not exceed 20% of the Pool. Since the inception of the County's securities lending program in 1987, there has not been any loss of principal to the Pool resulting from these securities lending transactions or the investment of the related collateral.

The Investment Policy also authorizes investments in covered call options and put options, which are options that the Treasurer sells to a third party the right to buy an existing security in the Pool or sell a security to the Pool, both at a specific price within a specific time period. Under the Investment Policy, securities subject to covered calls are not to be used for reverse repurchase agreements; cash sufficient to pay for outstanding puts are to be invested in securities maturing on or before the expiration date of the option; the maximum maturity of a covered call option/put option is to be 90 days and not more than 10% of the total investments in the Pool could have options written against them at any given time.

Beginning early August 2007, the Pool halted all investment in asset-backed commercial paper and has no plans to resume investment in this type of security until the current credit crisis has passed. Further, the Pool is not invested in any structured investment vehicles and has never invested in collateralized debt obligations.

In order to limit exposure to credit risk, the Pool has limited purchases of corporate securities to maturities less than 90 days. All investments in the Treasurer's investment portfolio conform to the statutory requirements of Government Code Section 53635 et seq., authorities delegated by the Board of Supervisors and the Treasurer's investment policy.

Certain Information Relating to Pool

Table 21 below reflects information with respect to the Pool as of the close of business April 30, 2012. As described above, a wide range of investments is authorized by state law. Investments mature and trading activity is constant. Therefore, there can be no assurances that the investments in the Pool will not vary significantly from the investments described below. In addition, the value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described below. In addition, the values specified in the following table were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on April 30, 2012, the Pool necessarily would have received the values specified.

TABLE 21
TREASURER-TAX COLLECTOR
SAN DIEGO COUNTY PORTFOLIO STATISTICS
(As of April 30, 2012)

	Percent of Portfolio	Book Value	Market Price	Accrued Interest	Market Value	Net Unrealized Gain/(Loss)	Yield⁽¹⁾ to Maturity⁽²⁾	Yield⁽¹⁾ to Worst⁽³⁾	Weighted Average Days to Maturity
US Treasury Bill	0.57%	39,989,963	99.85%	0	\$39,941,280	(48,683)	0.16%	0.16%	59
US Treasury Notes	4.24	292,755,937	102.54	1,748,692	298,399,886	5,643,949	2.40	2.40	656
FNMA Discount Notes	8.55	602,280,605	99.92	0	601,886,944	(393,661)	0.12	0.12	44
Federal Farm Credit Bank Notes	3.45	242,637,573	100.01	351,983	242,706,215	68,642	0.54	0.54	726
Federal Farm Credit Bank Disc Notes	2.69	189,884,153	99.86	0	189,728,710	(155,443)	0.17	0.17	126
Federal Home Loan Bank Notes	10.16	709,722,859	101.24	1,323,812	715,183,795	5,460,936	0.73	0.72	467
Federal Home Loan Bank Disc Notes	2.91	204,940,446	99.94	0	204,870,240	(70,206)	0.11	0.11	81
Federal Home Loan Mortg. Corp. Disc Notes	12.16	856,770,196	99.93	0	856,376,753	(393,443)	0.12	0.12	72
Federal Home Loan Mortg. Corp. Notes	8.31	581,116,514	101.51	1,976,324	585,618,321	4,501,807	0.98	0.98	978
Fannie Mae	9.13	638,656,191	101.32	2,389,659	643,095,184	4,438,993	1.12	0.96	1,161
Bond Fund	0.50	35,000,000	100.30	12,772	35,105,105	105,105	0.44	0.44	449
Money Market Funds	1.03	72,375,000	100.00	2,348	72,375,000	0	0.02	0.02	36
Repurchase Agreements	0.02	1,512,317	100.00	1	1,512,317	0	0.02	0.02	1
Negotiable Certificates of Deposit	17.97	1,265,245,444	100.00	171,455	1,265,245,444	(0)	0.15	0.15	32
Commercial Paper	17.46	1,229,841,848	99.98	0	1,229,727,115	(114,733)	0.14	0.14	33
Collateralized/FDIC Certificates of Deposit	0.85	60,061,000	100.00	4,748	60,061,000	0	0.31	0.31	157
Totals for April 2012	100.00	\$7,022,790,046	100.45	7,981,794	\$7,041,833,309	\$19,043,263	0.47	0.45	321
Totals for March 2012	100.00	\$6,356,726,513	100.45	8,178,899	\$6,372,894,211	\$16,167,698	0.51	0.49	365
Change From Prior Month		666,063,533	0.00	(197,105)	\$668,939,098	\$2,875,565	-0.04	-0.04	(44)
Portfolio Effective Duration	0.620 years								

	February Return	Annualized	Fiscal Year to Date Return	Annualized	Calendar Year to Date Return	Annualized
Book Value	0.038%	0.458%	0.502%	0.601%	0.161%	0.487%
Market Value	0.033%	0.407%	0.456%	0.546%	0.145%	0.437%

Source: The County.

⁽¹⁾ Yields for the portfolio are aggregated based on the book value of each security.

⁽²⁾ Yield to maturity is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

⁽³⁾ Yield to worst is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the school district or community college district, but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by or for the State, exclusive of certain State subventions for the use and operation of local government, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government include any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity and refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County’s option, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage

change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State's Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The Board of Supervisors adopted the annual appropriation limit for Fiscal Year 2011-12 of approximately \$3.9 billion. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. Based on the Fiscal Year 2011-12 Adopted Budget, the funds subject to limitation total approximately \$1.3 billion (total General Operating Budget minus non-proceeds of taxes and debt service) and are approximately \$2.6 billion below the Article XIII B limit.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers*

Association v. City of La Habra, et al. (“La Habra”). In this case, the court held that public agency’s continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. The portion of the County’s taxes subject to Proposition 62, including the County’s transient occupancy tax, is in compliance with Proposition 62 requirements.

Proposition 218

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the County, to impose and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County’s ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County’s costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County’s ability to pay principal of and interest on the Notes and perform its other obligations as and when due.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote of the electorate and taxes for specific purposes, even if deposited in the County’s General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the “Proposition 218 Omnibus Implementation Act”), which directed that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the County’s General Fund. Further, “fees” and “charges” are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to

have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the County would be able to pay the principal of and interest on the Notes as and when due or any of its other obligations payable from the County General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the County, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay the principal of and interest on the Notes, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIII C] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the County, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are

received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the County does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the County to pay the principal of and interest on the Notes as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services to avoid new costs for the County General Fund in the event the fees and charges that presently finance them are reduced or repealed.

The County has a clean water enterprise fund which is self-supporting from fees and charges that may ultimately be determined to be property related for purposes of Article XIII D of Proposition 218. Further, the fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D of Proposition 218, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C of Proposition 218, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "– Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel

tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The County does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2011-12.

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a

condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See “ – Proposition 218”) herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the County’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County’s ability to expend revenues. The nature and impact of these measures cannot be predicted by the County.

STATE OF CALIFORNIA BUDGET INFORMATION AND FEDERAL STIMULUS INFORMATION

State of California Budget Information

The following information concerning the State’s budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the State’s budget is posted by the Legislative Analyst’s Office (the “LAO”) at www.lao.ca.gov. In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov and the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System, emma.msrb.org. The information referred to on the website of the State Treasurer is prepared by the State and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2011-12

2011-12 State Budget Act. On June 30, 2011, the Governor signed the 2011 State Budget Act for Fiscal Year 2011-12 (the “2011-12 State Budget Act”) to address a then-projected \$26.6 billion deficit through June 30, 2012. After accounting for budgetary actions adopted by the State Legislature, higher than expected revenues and updated expenditure projections, the 2011-12 State Budget Act projected that

the State's structural deficit had been reduced to less than \$5 billion annually. The 2011-12 State Budget Act estimated Fiscal Year 2011-12 revenues and transfers of \$88.5 billion, total expenditures of \$85.9 billion and a year-end surplus of \$1.3 billion (net of the negative \$1.2 billion prior-year State General Fund balance). The 2011-12 State Budget Act allocated the then-projected surplus to the reserve for the liquidation of encumbrances (\$770 million) and the special fund for economic uncertainties (\$543 million).

The 2011-12 State Budget Act authorized approximately \$601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012, if the State's Director of Finance estimated that the State's revenues for Fiscal Year 2011-12 would be less than \$87,452,500,000, but were at least \$86,452,500,000. If the State's Director of Finance estimated that revenues for Fiscal Year 2011-12 would be less than \$86,452,500,000, the 2011-12 State Budget Act authorized an additional \$1.86 billion in education reductions including, among other things, the reductions described in paragraph (5) below. The State's Director of Finance was required to make a determination whether the State's revenues meet or exceed such levels by December 15, 2011. See " - Fiscal Projections of the Legislative Analyst's Office and the Department of Finance" herein.

Certain of the features of the 2011-12 State Budget Act which could affect counties in the State included the following:

1. The 2011-12 State Budget Act included the Governor's realignment proposal set forth in the 2011-12 Proposed State Budget and the May Revision to the Fiscal Year 2011-12 Proposed State Budget. The 2011-12 State Budget Act funded realignment by dedicating 1.0625 cents of the existing sales tax rate to generate a projected \$5.1 billion for the 2011 Local Revenue Fund and by redirecting Vehicle License Fee ("VLF") revenues to generate \$453.4 million. The Local Revenue Fund included accounts for Trial Court Security, Local Community Corrections, Local Law Enforcement Services, Mental Health, District Attorney and Public Defender, Juvenile Justice, and Health and Human Services, and a Reserve Account. The 2011-12 State Budget Act estimated that \$300 million in VLF revenues would be shifted from departmental support costs to local public safety programs.

2. In connection with the Governor's realignment proposal, the State advanced funds to counties for administration and grants for certain health and human services programs expected to be realigned as of July 1, 2012. The 2011-12 State Budget Act authorized the State to repay itself for such July 2011 advances with payments from the realignment fund.

3. The 2011-12 State Budget Act realigned public safety to require local supervision of certain low-level offenders. The 2011-12 State Budget Act established a Community Corrections Grant Program in order to reduce overcrowding in State prisons. Pursuant to the 2011-12 State Budget Act certain lower-level offenders were sentenced, housed, supervised and treated locally. Such lower-level offenders were supervised by local law enforcement upon release from State prison. The 2011-12 State Budget Act authorized counties to contract with public community correctional facilities to house county jail inmates.

4. In connection with the Governor's realignment plan, the 2011-12 State Budget Act approved a Voluntary Alternative Redevelopment Program ("VARP"), pursuant to which redevelopment agencies could continue to operate provided that their respective establishing cities or counties agree to provide \$1.7 billion in payments to K-12 schools. If the establishing cities or counties did not agree to make payments to K-12 schools, the related redevelopment agency would be required to cease operations pursuant to Assembly Bill X1 26 and any property tax revenues that remain after payment of such redevelopment agency's outstanding debt service obligations and allowable administrative costs were to be distributed to cities, counties, special districts, and K-14 schools.

5. The 2011-12 State Budget Act provided \$98.6 million from the Mental Health Services Fund to county mental health services on a one-time basis for mental health services to special education students. On-going responsibility for these services, including out-of-home residential services, was realigned to school districts. The Governor has stated that schools districts may contract with counties to provide services using Proposition 63 funds, but school districts would be responsible for any costs exceeding this amount.

Fiscal Projections of the Legislative Analyst's Office and the Department of Finance. On November 16, 2011, the Legislative Analyst's Office released a publication entitled "The 2012-13 Budget: California's Fiscal Outlook" (the "2012-13 LAO Fiscal Outlook"). The 2012-13 LAO Fiscal Outlook indicated that, based upon the LAO's projections, General Fund revenues and transfers for Fiscal Year 2011-12 will be \$3.7 billion less than the amount assumed in the 2011-12 State Budget Act. The LAO also projected that the net effect of the lower revenue projection, implementation of trigger reductions, and expected inability of the State to achieve approximately \$1.2 billion of other budget actions will contribute to the State to ending Fiscal Year 2011-12 with a \$3 billion General Fund deficit.

On December 13, 2011, the Department of Finance released its "2011-12 Revenue Forecast/Determination Pursuant to Chapter 41, Statutes of 2011" (the "DOF Revenue Forecast"). According to the DOF Revenue Forecast, the Department of Finance's updated revenue estimate for Fiscal Year 2011-12 was \$86.2 billion, which was approximately \$2.2 billion lower than the revenue specified in the 2011-12 State Budget Act and \$1.5 billion higher than the LAO's November 2011 revenue forecast. Pursuant to the 2011-12 State Budget Act, which provides that the higher of the LAO's November 2011 revenue forecast and the Department of Finance's December 2011 revenue forecast would be used to determine trigger reductions, the Department of Finance's estimate served as the basis for approximately \$981 million in reductions and adjustments. See "State Budget for Fiscal Year 2011-12 - 2011-12 State Budget Act" herein for a description of previously approved trigger reductions.

State Budget for Fiscal Year 2012-13

2012-13 Proposed State Budget. On January 5, 2012, Governor Brown released his 2012-13 Proposed Budget (the "2012-13 Proposed State Budget"), which estimates that, without corrective action, the State will end Fiscal Year 2012-13 with a \$9.2 billion deficit consisting of a \$4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the \$1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a \$5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The 2012-13 Proposed State Budget proposes \$10.3 billion in expenditure reductions and increased revenues (including a temporary increase in income and sales taxes proposed for the November 2012 ballot (the "2012 Tax Initiative")) to balance the State's budget for Fiscal Year 2012-13 and to rebuild a reserve. Assuming the passage of the 2012 Tax Initiative, the 2012-13 Proposed State Budget estimates Fiscal Year 2012-13 revenues and transfers of \$95.4 billion, total expenditures of \$92.6 billion and a year-end surplus of \$1.9 billion (net of the negative \$985 million prior-year State General Fund balance). The 2012-13 Proposed State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances (\$719 million) and the special fund for economic uncertainties (\$1.1 billion).

The Fiscal Year 2011-12 Proposed State Budget relies in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The 2012-13 Proposed State Budget projects that 2012 Tax Initiative, if approved, would generate approximately \$6.9 billion through Fiscal Year 2012-13 and generate billions of dollars per year until its expiration. The taxes would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the Governor's proposed ballot proposition fails to pass, the 2012-13 Proposed State Budget specifies approximately

\$5.4 billion in expenditure reductions in, among other things, education (accounting for 90% of the targeted reductions) and judicial branch appropriations. The Governor notes that the implementation of many of the proposals contained in the 2012-13 Proposed State Budget will require additional time before savings are accrued and additional expenditure reductions may be needed.

Certain of the features of the 2012-13 Proposed State Budget which could affect counties in the State include the following:

1. The Governor has proposed that the State repeal, suspend or modify the terms of many State mandates upon school districts and local governments, which is estimated to reduce the State's General Fund expenditures by approximately \$828 million. In addition, 2012-13 Proposed State Budget proposes to repeal certain of the mandates that have been suspended for the past two years or more, which would result in a decrease of approximately \$728.8 million of General Fund spending. Further, the 2012-13 Proposed State Budget proposes to decrease General Fund spending by \$99.5 million by deferring the Fiscal Year 2012-13 payment for mandate costs incurred prior to Fiscal Year 2004-05.

2. The 2012-13 Proposed State Budget continues the realignment plans set forth in the 2011-12 State Budget Act with respect to public safety, including the shift of various public safety programs and the supervision of lower level offenders from the State to local governments. In addition, the 2012-13 Proposed State Budget proposes to shift full responsibility for all juvenile offenders to counties and fund such shift by providing to counties a one-time \$10 million State General Fund allocation in Fiscal Year 2011-12. The 2012-13 Proposed State Budget also proposes to allocate to counties revenues from a 1.0625 percent sales tax rate and approximately \$460 million in Vehicle License Fee revenues in Fiscal Year 2012-13. Further, the 2012 Tax Initiative would constitutionally dedicate to counties the revenues earmarked for realignment in the 2011-12 State Budget Act. See "State Budget for Fiscal Year 2011-12 - 2011-12 State Budget Act" herein

3. The 2012-13 Proposed State Budget proposes to restructure the California Work Opportunity and Responsibility to Kids program to, among other changes, limit the provision of employment services and child care to 24 months for families not fully meeting work participation requirements, and to create a separate child maintenance program to continue income support to children whose parents are not eligible for cash aid. The Governor estimates that, if approved, this proposal will reduce General Fund expenditures by \$1.4 billion.

4. The 2012-13 Proposed State Budget proposes to shift certain individuals eligible for both Medi-Cal and Medicare services from fee-for-service to managed care plans. Such shift is proposed to begin with eight to ten counties on January 1, 2013, with the rest of the counties in the State shifting within the following few years. The 2012-13 Proposed State Budget projects that the shift will achieve ongoing savings for the State General Fund of \$1 billion beginning in Fiscal Year 2013-14. The 2012-13 Proposed State Budget also assumes net savings for the State General Fund of \$679 million in Fiscal Year 2012-13 mainly due to a payment deferral to all Medi-Cal providers.

6. In *California Redevelopment Association et al. v. Matosantos et al.*, the California Supreme Court upheld Assembly Bill 26 of the 2010-11 First Extraordinary Session, which will lead to the dissolution of all redevelopment agencies within the State on February 1, 2012. Revenues that would have been directed to the redevelopment agencies will be used to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies. The 2012-13 Proposed State Budget projects that the elimination of redevelopment agencies will provide additional property tax revenue in the amount of \$1.05 billion for K-14 schools, \$340 million for counties, \$220 million for cities and \$170 million for special districts.

LAO Analysis of the 2012-13 Proposed State Budget. On January 11, 2012, the LAO released a report entitled “The 2012-13 Budget: Overview of the Governor’s Budget” (the “2012 LAO Budget Overview”), which provides an analysis by the LAO of the 2012-13 Proposed State Budget. The 2012 LAO Budget Overview states that the Governor has made a good-faith effort in revenue and economic forecasting despite the many uncertainties involved in projecting the State’s recovery from the current economic downturn. Nevertheless, the LAO’s revenue estimates for Fiscal Years 2011-12, 2012-13, and subsequent years currently are lower than the Governor’s estimates and the LAO’s estimates of revenues from the 2012 Tax Initiative are significantly lower than those of the Governor’s. In reviewing the Governor’s major proposals, the 2012 LAO Budget Overview states that the Governor’s proposals for restructuring the school finance system, community college categorical funding and education mandates and his proposals for reducing social services and child care program funding merit consideration. The 2012 LAO Budget Overview also states that the 2012 Tax Initiative will increase the State budget’s dependence on the volatile income tax payments by the State’s wealthiest individuals and the proposed trigger reductions (if the 2012 Tax Initiative is not approved) would create significant uncertainty for schools, community colleges, and universities in Fiscal Year 2012-13. The 2012 LAO Budget Overview concludes that if the State chooses either of the Governor’s two paths (*i.e.*, the multiyear tax increases and significant reductions in social services and subsidized child care programs or the trigger reductions largely relating to schools), the State budget would come closer to being balanced over the next several years.

Governor’s Revised 2012 Tax Initiative. On March 14, 2012, the Governor announced that he would combine the Governor’s 2012 Tax Initiative with an initiative proposed by the California Federation of Teachers to place the “California Sales and Income Tax Increase Initiative” (the “Governor’s Revised 2012 Tax Initiative”) on the November 2012 ballot. If approved in its current form, the Governor’s Revised 2012 Tax Initiative would temporarily increase maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The LAO projects that the increased personal income tax rates would affect approximately 1 percent of personal income tax filers in the State due to the high income threshold. If approved, the Governor’s Revised 2012 Tax Initiative would be in effect from the 2012 tax year to the 2018 tax year. In addition, the Governor’s Revised 2012 Tax Initiative would temporarily increase the State’s sales and use tax rate by 0.25 percent from 2013 to 2016. On March 16, 2012, the LAO released its review of the Governor’s Revised 2012 Tax Initiative. The LAO projects that revenues attributable to the Governor’s 2012 Tax Initiative will be less than the Governor’s \$9 billion estimate.

May Revision to the Fiscal Year 2012-13 Proposed State Budget. On May 14, 2012, the Governor released the May Revision, which estimates that the State’s budgetary shortfall for Fiscal Year 2012-13 has increased to \$15.7 billion as a result of reduced revenue forecasts, increases in school funding and unfavorable litigation outcomes and determinations by the federal government. The May Revision proposes \$16.7 billion in budgetary actions in Fiscal Years 2011-12 and 2012-13 to address the projected budgetary shortfall and provide for a reserve of \$1.0 billion at the end of Fiscal Year 2012-13. The May Revision proposes to address the State’s deficit through additional spending reductions (including the use of local reserves to reduce State General Fund costs for local trial courts on a one-time basis, reductions to hospital and nursing home funding and reductions in IHSS hours), implementation of the temporary tax increases set forth in the Governor’s Revised 2012 Tax Initiative and use of various transfers, loans and repayment extensions. Assuming adoption of the proposals set forth in the May Revision and the approval of the Governor’s Revised 2012 Tax Initiative, the Governor estimates that the State will end Fiscal Year 2011-12 with revenues and transfers of \$86.809 billion, total expenditures of \$86.500 billion and a year-end deficit of \$2.535 billion, which includes a \$2.844 billion prior-year State General Fund deficit and an allocation of \$719 million to the reserve for the liquidation of encumbrances. The May Revision projects Fiscal Year 2012-13 revenues and transfers of \$95.689 billion, total

expenditures of \$91.387 billion and a year-end surplus of \$1.767 billion (net of the \$2.535 billion deficit from Fiscal Year 2011-12), of which \$719 million will be reserved for the liquidation of encumbrances and \$1.048 billion will be deposited in a reserve for economic uncertainties.

The May Revision also sets forth \$6.1 billion in trigger cuts that are scheduled to go into effect on January 1, 2013 should the Governor's Revised 2012 Tax Initiative fail to pass, including reduced funding for schools, community colleges and other higher education institutions, and reduced funding for a variety of public safety programs. The May Revision further states that potential cost increases associated with actions to reduce the federal deficit, federal government and court decisions, the pace of the economic recovery, an aging population and rising health care costs, among other things, threaten the ability of the State to achieve and maintain a balanced budget over the long-term.

Features of the May Revision affecting counties in general include, but are not limited to, the following:

1. The May Revision updates funding allocations with respect to State and local realignment responsibilities on a program-by-program basis with updated caseload information. In addition, the May Revision proposes trailer bill provisions to create a permanent funding structure for the realignment of State and local government responsibilities. In connection therewith, counties would be allowed to maintain realignment subaccounts from which they would have flexibility to address spending priorities and manage federal funds and requirements.

2. The May Revision revises the juvenile justice proposal set forth in the Fiscal Year 2012-13 Proposed State Budget to maintain the Division of Juvenile Justice as an available placement option for youthful offenders and proposes policies related to operational efficiency and cost reductions. In addition, the May Revision proposes to implement a new fee structure pursuant to which the State will charge counties \$24,000 per year for each offender committed by a juvenile court to the Division of Juvenile Justice.

3. The May Revision includes \$1.2 billion in additional spending reductions to health and human services, for a total of \$8.3 billion total proposed cuts for Fiscal Year 2012-13. The proposals include phasing-in the Coordinated Care Initiative and delaying implementation from January 1, 2013 to March 1, 2013, reducing total authorized IHSS hours by seven percent across the board, eliminating domestic and related services to IHSS consumers living with other adults who are not IHSS participants, reducing supplemental payments to private hospitals, eliminating public hospital grants and eliminating increases to managed care plans for supplemental payments to designated public hospitals, shifting 875,000 Healthy Families Program participants to Medi-Cal starting in October 2012, redesigning CalWORKs to provide a track for those entering the welfare-to-work program that would be operational beginning in October 2012 (CalWORKS Basic) and a track for those who maintain unsubsidized employment at specified levels (CalWORKS Plus), and changes and reductions for subsidized child care programs.

4. In connection with the State's budget for Fiscal Year 2010-11, the State's gasoline tax was replaced with an excise tax, the revenues from which are not restricted by the State Constitution. The May Revision proposes an appropriation of \$708.5 million to counties and cities to backfill revenues previously attributable to Proposition 42. Counties are estimated to receive approximately \$354 million. The May Revision also proposes to deposit approximately \$312 million from the excise tax revenues in the General Fund from the Highway Users Tax Account, which corresponds to the revenues from the new gas tax collected on gasoline used for off-highway vehicles since the enactment of the swap.

5. The May Revision includes trailer bill language to provide \$500 million of additional lease revenue bond financing authority for the acquisition, design and construction of local facilities to help counties manage their offender population. The authority would augment the \$1.2 billion of lease revenue bond financing authority authorized by Assembly Bill 900 in connection with the local Jail Construction Financing Program.

6. In connection with the dissolution of redevelopment agencies pursuant to ABx1 26 and the related California Supreme Court decision in *California Redevelopment Association v. Matosantos*, the May Revision proposes legislation to create a framework for successor agencies to transfer cash assets not obligated or reserved for legally authorized purposes to cities, counties, special districts and K-14 schools in Fiscal Year 2012-13.

LAO May Overview of the May Revision. On May 18, 2012, the LAO released an analysis of the May Revision entitled “The 2012-13 Budget: Overview of the May Revision” (the “LAO May Revision Overview”). The LAO Revision May Overview states that the economic and revenue forecasts included in the May Revision are reasonable, but notes that the Governor’s projected revenues for fiscal years after 2012-13 are higher than those projected by the LAO (ranging from \$1.3 billion to \$4 billion higher through Fiscal Year 2015-16). In addition, the LAO states that the Governor’s estimate of former redevelopment agencies’ liquid assets available for distribution is subject to considerable uncertainty due to, among other things, lawsuits that will delay distribution of funds and the amount of assets that have been spent or are contractually committed to third parties. According to the LAO, the State should address two key budgetary goals: (1) retiring the accumulated deficit of recent years, which the Governor’s administration presently estimates to be \$7.6 billion (which may be addressed through one-time actions) and (2) making additional progress toward addressing the State’s ongoing annual operating, or structural, deficit, which the LAO presently estimates to be approximately \$10 billion through realistic and ongoing budget actions. The LAO also states that given current forecasting challenges, the adoption of realistic budgetary actions, including realistic trigger cuts, is particularly important if the State is to continue making progress toward eliminating the ongoing structural deficit.

Future State Budgets

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State.

The County cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. See “County Financial Information – County’s 2011-12 Adopted Budget and the Operational Plan” herein.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

San Diego County is the southernmost major metropolitan area in the State. San Diego County covers 4,261 square miles, extending 75 miles along the Pacific Coast from the Mexican border to Orange

County, and inland 75 miles to Imperial County. Riverside and Orange counties form the northern boundary. San Diego County is approximately the size of the State of Connecticut.

Topography of San Diego County varies from broad coastal plains and fertile inland valleys to mountain ranges in the east which rise to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. The Cleveland National Forest occupies much of the interior portion of San Diego County. The climate is equable in the coastal and valley regions where most of the population and resources are located. The average annual rainfall in the coastal areas is approximately 10 inches.

San Diego County possesses a diverse economic base consisting of a significant manufacturing presence in the fields of electronics and shipbuilding, a large tourist industry attracted by the favorable climate of the region, and a considerable defense-related presence.

PETCO Park, located in the City of San Diego, provides a 42,000 fixed seat baseball stadium for the San Diego Padres. PETCO Park is located in a 26-block neighborhood that contains existing and proposed hotels, office space, retail and housing units within walking distance from the San Diego Convention Center and the Gaslamp Quarter. The baseball stadium is also within walking distance of a Trolley station and nearby parking facilities.

The San Diego Convention Center includes 2.6 million total gross square feet and plans are in progress to expand the Convention Center into the nearby bayfront area. The Convention Center generated approximately \$1.27 billion in fiscal year 2009-10 in total economic impact (direct and indirect spending).

San Diego County is also growing as a major center for culture and education. More than 30 recognized art organizations, including the San Diego Opera, the Old Globe Theatre productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in San Diego County. Higher education is provided through five two-year colleges and six four-year colleges and universities.

In addition to the City of San Diego, other principal cities in San Diego County include Carlsbad, Chula Vista, Oceanside, El Cajon, Escondido, La Mesa and National City. Most County residents live within 20 miles of the coast. Farther inland are agricultural areas, principally planted in avocados and tomatoes, while the easternmost portion of San Diego County has a dry, desert-like topography.

The County is the delivery system for federal, state and local programs. The County provides a wide range of services to its residents including: (1) regional services such as courts, probation, medical examiner, jails, elections and public health; (2) health, welfare and human services such as mental health, senior citizen and child welfare services; (3) basic local services such as planning, parks, libraries and Sheriff's patrol to the unincorporated area, and law enforcement and libraries by contract to incorporated cities; and (4) infrastructure such as roads, waste disposal and flood control to the unincorporated area of the County. For information on County governance, see "THE COUNTY – GENERAL" herein.

Population

There are 18 incorporated cities in San Diego County, and several unincorporated communities. Table 22 below sets forth the population in San Diego County, the State and the United States for the years 2003 to 2012.

TABLE 22
POPULATION ESTIMATES
(In Thousands)
(Calendar Years 2003-2012)

Year	San Diego County⁽¹⁾	Percent Change	State of California⁽¹⁾	Percent Change	United States⁽²⁾	Percent Change
2003	2,927	1.28%	35,164	1.26%	290,326	0.88%
2004	2,954	0.90	35,571	1.16	293,046	0.94
2005	2,967	0.44	35,869	0.84	295,753	0.92
2006	2,976	0.33	36,116	0.69	298,593	0.96
2007	2,998	0.74	36,400	0.78	301,580	1.00
2008	3,033	1.14	36,704	0.84	304,375	0.93
2009	3,064	1.05	36,967	0.71	307,007	0.86
2010	3,092	0.89	37,224	0.70	309,330	0.76
2011	3,116	0.78	37,428	0.55	311,592	0.73
2012	3,143	0.89	37,679	0.67	N/A	N/A

Sources: County and State Data – State of California Department of Finance; National Data – U.S. Bureau of the Census, Annual Population Estimates.

⁽¹⁾ As of January 1 of the year shown. Reflects revised estimates as of August, 2011.

⁽²⁾ As of July 1 of the year shown. Data for 2002 through 2009 reflect estimates as of December 2009. Data for 2010 and 2011 reflect estimates as of May 2012.

Employment

Table 23 below sets forth information regarding the size of the civilian labor force, employment and unemployment rates for San Diego County, the State and the United States for 2007 through 2011.

TABLE 23
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES 2007-2011⁽¹⁾
By Place of Residence
(In Thousands)

	2007	2008	2009	2010	2011⁽²⁾
San Diego County					
Labor Force	1,517.6	1,548.2	1,554.2	1,572.6	1,583.8
Employment	1,448.5	1,455.6	1,405.0	1,407.1	1,426.1
Unemployment	69.1	92.7	149.2	165.5	157.7
Unemployment Rate	4.6%	6.0%	9.6%	10.5%	10.0%
State of California					
Labor Force	17,921.0	18,203.1	18,208.3	18,316.4	18,384.9
Employment	16,960.7	16,890.0	16,144.5	16,051.5	16,226.6
Unemployment	960.3	1,313.1	2,063.9	2,264.9	2,158.3
Unemployment Rate	5.4%	7.2%	11.3%	12.4%	11.7%
United States					
Labor Force	153,124.0	154,287.0	154,142.0	153,889.0	153,617.0
Employment	146,047.0	145,362.0	139,877.0	139,064.0	139,869.0
Unemployment	7,078.0	8,924.0	14,265.0	14,825.0	13,747.0
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%

Sources: County and State Data – California Employment Development Department; National Data – U.S. Department of Labor, Bureau of Labor Statistics.

⁽¹⁾ Data Not Seasonally Adjusted.

The State of California Employment Development Department, Labor Market Information Division (the “EDD”), preliminarily estimates that, on a seasonally unadjusted basis, the civilian labor force in the County in April 2012 was 1,582,200, of which approximately 138,200 persons were unemployed. Based on preliminary estimates of the EDD as of May 18, 2012, the County’s unemployment rate in April 2012 of 8.7%, on a seasonally unadjusted basis, was below that of the State at 10.9%.

Table 24 below sets forth the annual average employment within San Diego County by employment sector, other than farm industries, for 2007 through 2011. In 2011, the government sector became the largest non-farm employment sector in San Diego County, representing approximately 18.5% of all non-farm employment.

TABLE 24
SAN DIEGO COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES 2007-2011
(In Thousands)

	2007	2008	2009	2010	2011
Employment Sector					
Mining and Logging	0.4	0.4	0.4	0.4	0.4
Construction	87.0	76.1	61.1	55.3	55.2
Manufacturing	102.5	102.8	95.3	92.9	92.8
Trade, Transportation and Utilities	222.3	215.9	199.6	197.3	199.0
Information	31.3	31.4	28.2	25.1	24.0
Financial Activities	80.3	75.2	69.8	67.2	66.8
Professional and Business Services	223.2	222.3	206.8	207.7	211.5
Educational and Health Services	129.5	137.3	144.3	145.5	149.1
Leisure and Hospitality	161.8	164.0	154.8	154.8	156.9
Other Services	48.3	48.4	46.8	46.2	47.1
Government	<u>222.4</u>	<u>225.1</u>	<u>224.5</u>	<u>230.4</u>	<u>228.4</u>
Total ⁽¹⁾	<u>1,308.8</u>	<u>1,298.7</u>	<u>1,231.4</u>	<u>1,220.8</u>	<u>1,231.2</u>

Source: California Employment Development Department, March 2011 Benchmark.

⁽¹⁾ Reflects independent rounding.

Largest Employers

Table 25 below sets forth the ten largest employers in the County as of August 10, 2011.

TABLE 25
SAN DIEGO COUNTY
Ten Largest Employers
(As of August 1, 2011)

Employer	Description	Number of local employees
U.S. Department of Defense	Departments of the Army, Navy and Air Force	136,664
Federal Government	Administration of federal functions, services, agencies	46,300
State of California	Administration of state functions, services, agencies	45,500
UC San Diego	Higher education, research, health care	27,393
County of San Diego	Municipal, regional government services	15,109
Sharp HealthCare	Health care, hospitals, medical groups, health services and health plans	14,969
Scripps Health	Hospitals, medical offices, clinics and home health services	13,830
San Diego Unified School District	Public education	13,730
Qualcomm Inc.	Develops and delivers digital wireless communications products and services	10,509
City of San Diego	Municipal government public agency	10,211

Source: San Diego Business Journal Book of Lists (2012).

Regional Economy

Table 26 below sets forth San Diego County's Gross Domestic Product, which is an estimate of the value for all goods and services produced in the region, from 2007 through 2011.

TABLE 26
SAN DIEGO COUNTY
GROSS DOMESTIC PRODUCT
2007-2011

Year	Gross Domestic Product (In Billions)	Annual Percent Change	
		Current Dollars San Diego	Constant Dollars* San Diego
2007	\$162.1	4.3%	1.7%
2008	169.3	4.4	2.6
2009 ⁽¹⁾	168.8	(0.3)	(1.3)
2010 ⁽²⁾	174.8	3.6	2.8
2011 ⁽²⁾	182.1	4.2	2.5

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; National University System Institute for Policy Research; reflects data as of July 2010.

* Adjusted using the GMP/GSP/GDP implicit price deflator.

(1) Estimate.

(2) Forecast.

Economic activity and population growth in the local economy are closely related. Helping to sustain San Diego County's economy is the performance of three basic industries of the region, which consist of manufacturing, the military, and tourism. The U.S. Department of Defense contributes approximately \$10 billion annually to the local economy, through wages paid to the uniformed military and civilian personnel, and for equipment and services purchased from local businesses. San Diego's military presence is anticipated to remain relatively stable and may even increase due to the consolidation of military operations and facilities from elsewhere in California, the West, and throughout the United States.

Building Activity

Building permit valuation for both residential and non-residential construction in San Diego County in 2010 increased relative to 2009 levels by approximately 12%. Between 2009 and 2010, new single family housing unit permits increased by 24% while new multiple family housing unit permits decreased by 7%.

Table 27 below sets forth the annual total building permit valuation and the annual new housing permit total from 2006 through 2010.

TABLE 27
COUNTY OF SAN DIEGO
BUILDING PERMIT ACTIVITY
2006-2010
(In Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Valuation:					
Residential	\$2,470,685	\$1,852,381	\$1,339,245	\$ 878,700	\$ 973,856
Non-Residential	<u>1,621,608</u>	<u>1,416,823</u>	<u>1,061,802</u>	<u>583,969</u>	<u>659,150</u>
Total	<u><u>\$4,092,293</u></u>	<u><u>\$3,269,204</u></u>	<u><u>\$2,401,047</u></u>	<u><u>\$ 1,462,669</u></u>	<u><u>\$ 1,633,006</u></u>
New Housing Units:					
Single Family	4,753	3,503	2,352	1,786	2,221
Multiple Family	6,024	3,942	2,802	1,204	1,121
Total	10,777	7,445	5,154	2,990	3,342

Source: Construction Industry Research Board.

Commercial Activity

Table 28 below sets forth information regarding taxable sales in San Diego County for calendar years 2004-2008. Table 29 below sets forth the taxable sales in the County for calendar year 2009. Due to a revision in the business categories used by the Board of Equalization, the data for calendar years 2007, 2008 and 2009 are not directly comparable to the data for prior years, with calendar year 2009 requiring a substantial change in presentation.

TABLE 28
SAN DIEGO COUNTY
TAXABLE SALES
2004-2008
(In Thousands)

Type of Business	2004	2005	2006	2007⁽¹⁾	2008⁽¹⁾
Apparel Stores	\$ 1,644,428	\$ 1,798,104	\$ 1,909,011	\$ 2,034,512	\$ 2,205,568
General Merchandise	5,204,962	5,406,091	5,594,621	5,673,538	5,305,252
Specialty Stores ⁽²⁾	4,541,225	4,728,028	4,926,656	--	--
Food Stores	1,736,610	1,858,152	1,928,274	1,994,237	1,868,466
Eating and Drinking Establishments	4,047,726	4,267,302	4,521,392	4,784,500	4,869,497
Home Furnishings/Appliances	1,549,482	1,566,046	1,511,389	1,420,933	1,590,329
Building Materials	3,341,105	3,376,009	3,331,161	2,768,385	2,183,006
Automotive ⁽³⁾	9,318,277	9,739,136	9,819,932	6,321,987	5,010,084
Service Stations ⁽³⁾	--	--	--	3,755,121	4,154,465
Other Retail Stores ⁽²⁾	961,645	1,045,927	1,076,631	5,285,332	4,529,006
Business and Personal Services	2,146,781	2,239,304	2,302,057	2,298,265	2,255,309
All Other Outlets	<u>9,978,097</u>	<u>10,655,372</u>	<u>10,914,390</u>	<u>11,149,178</u>	<u>11,358,155</u>
TOTAL ALL OUTLETS:	<u>\$ 44,470,338</u>	<u>\$ 46,679,471</u>	<u>\$ 47,835,514</u>	<u>\$47,485,988</u>	<u>\$ 45,329,136</u>

Source: California State Board of Equalization, Taxable Sales in California.

⁽¹⁾ In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable with data from prior years.

⁽²⁾ In 2007 and 2008, industry data for Specialty Stores were included in Other Retail Stores.

⁽³⁾ Prior to 2007, industry data for Service Stations were included in Automotive.

TABLE 29
SAN DIEGO COUNTY
TAXABLE SALES
Calendar Years 2009, and 2010

Type of Business	2009	2010
Retail and Food Services:		
Motor Vehicle and Parts Dealers	\$ 4,196,256	\$ 4,486,375
Furniture & Home Furnishings Stores	823,551	835,433
Electronics & Appliance Stores	1,200,897	1,266,563
Building Materials and Garden Equipment and Supplies	1,841,740	1,945,310
Food and Beverage Stores	1,934,812	1,943,969
Health & Personal Care Stores	732,221	789,760
Gasoline Stations	3,153,090	3,663,149
Clothing and Clothing Accessories Stores	2,560,683	2,769,897
Sporting Goods, Hobby, Book & Music Stores	989,236	995,179
General Merchandise Stores	4,254,037	4,381,526
Miscellaneous Store Retailers	1,405,774	1,384,312
Food Services and Drinking Places	4,717,292	140,437
Nonstore Retailers	148,931	4,873,578
Total Retail and Food Services	\$27,958,518	\$29,475,489
All Other Outlets	11,770,139	\$12,148,147
Totals All Outlets	<u>\$39,728,657</u>	<u>\$41,623,636</u>

Source: California State Board of Equalization, Taxable Sales in California.

Personal Income

Table 30 below sets forth the median household income for San Diego County, the State, and the United States between 2006 and 2010.

TABLE 30
MEDIAN HOUSEHOLD INCOME⁽¹⁾
2006 through 2010

<u>Year</u>	<u>San Diego County</u>	<u>California</u>	<u>United States</u>
2006	\$59,591	\$56,645	\$48,451
2007	61,794	59,948	50,740
2008	63,026	61,021	52,029
2009	60,231	58,931	50,221
2010	59,923	57,708	50,046

Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

⁽¹⁾ Estimated. In Inflation-adjusted dollars.

Foreclosures; Notices of Loan Default

The number of foreclosures and notice of loan defaults issued in San Diego County increased between calendar years 2008 and 2009, and has since declined. For the three calendar years from 2005 through 2007, an average 23.0% of notices of loan default resulted in foreclosures and an average of 2.2% of all deeds recorded were foreclosures. The percentage of notices of loan default resulting in foreclosures has increased in subsequent years and was 55.27% in 2011; the percentage of total deeds recorded that were foreclosures was 10.19% in 2011, down from 16.94% in 2008. The number of defaults and foreclosures have been attributed mainly to the prevalence of subprime home mortgage loans, which generally include a higher rate of interest than prime loans to compensate for the perceived increased credit risk of the borrower. The defaults and foreclosures on home mortgages have been offset by a variety of economic factors, including the growth in and diversification of the regional economy (see “Economic and Demographic Information – Regional Economy” herein).

Table 31 below sets forth information relating to notices of defaults and foreclosures in San Diego County for failure to pay mortgages from 2002 through April 30, 2012.

TABLE 31
NOTICES OF DEFAULT AND FORECLOSURES
Calendar Years 2002 through April 30, 2012

<u>Calendar Year</u>	<u>Notices of Default</u>	<u>Foreclosures</u>
2001	5,726	826
2002	5,986	909
2003	5,167	566
2004	4,260	553
2005	5,080	559
2006	10,294	2,065
2007	22,194	8,416
2008	34,069	19,577
2009	38,308	15,487
2010	24,835	13,467
2011	22,101	12,216
2012 ⁽¹⁾	6,240	2,835

Source: County of San Diego Assessor/Recorder/County Clerk.

⁽¹⁾ Year-to-date figure as of April 30, 2012.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego’s International Airport (Lindbergh Field) is located approximately three miles northwest of the downtown area and sits on 614 acres. The facilities are owned and maintained by the San Diego County Regional Airport Authority and are leased to commercial airlines and other tenants. The airport is California’s third most active commercial airport, served by 18 passenger carries and six

cargo carriers. In addition to San Diego International Airport there are two naval air stations and eight general aviation airports located in San Diego County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach, and Coronado.

Visitor and Convention Activity

The climate, proximity to Mexico, multiple maritime facilities, and various attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory contribute to a high level of visitor and convention business each year. Contributing to the growth of visitor business has been the development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego Community Concourse.

San Diego's visitor industry is a major sector of the region's economy. Visitor revenues in San Diego County reached approximately \$7.08 billion in 2010, according to an estimate by the San Diego Convention and Visitors Bureau (the "Visitors Bureau"), an increase of approximately 120 million, or 1.7%, from the prior year. San Diego County hosted 64 conventions and trade shows in 2010, attended by approximately 543,931 delegates.

Education

Forty-two independent school districts provide educational programs for the elementary and secondary public school children in San Diego County. Each school system is governed by a locally elected board of education and administered by a superintendent or other chief administrative officer appointed by the board of education. In San Diego County there are three types of school districts: elementary, union high and unified. Elementary districts educate elementary students, union high districts educate for the most part secondary students, and unified districts educate both elementary and secondary students. There are currently 12 unified, 24 elementary and 6 union high school districts in San Diego County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are five community college districts in San Diego County with students at eleven campuses and numerous adult and community centers.

Among the institutions of higher education offering bachelors and graduate programs in metropolitan San Diego are San Diego State University, the University of California, San Diego, National University, the University of San Diego, Point Loma Nazarene University, California State University – San Marcos, Alliant International University, the University of Phoenix, Thomas Jefferson School of Law and California Western School of Law.

APPENDIX B

INFORMATION REGARDING THE DISTRICTS

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APPENDIX B

INFORMATION REGARDING THE DISTRICTS

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STATE AND FEDERAL FUNDING OF EDUCATION

Major Revenues

The Districts' principal revenues consist of guaranteed State moneys, *ad valorem* property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. The majority of the funding that the Districts receive is determined by the State revenue limit formula. This apportionment formula, which is funded by State general fund moneys and local *ad valorem* property taxes, is allocated to the school districts based on the average daily attendance ("ADA") of the school districts for either the current or preceding school year. Generally, the State's apportionment will amount to the difference between the school district's revenue limit and its local property tax allocation. State revenue limit is based on an amount of support per pupil and revenue limit calculations are adjusted annually by a legislatively determined cost of living adjustment in accordance with a number of factors, primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts). The per-pupil amount is multiplied by the respective school district average daily attendance to determine the total revenue limit. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to school districts, including the Districts. See "State and Federal Funding of Education - Recent State Budgets" herein.

Each District receives a portion of the local *ad valorem* property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of State aid. Therefore, the sum of the property taxes and State aid equal the district's revenue limit. Districts which receive the minimum amount of State aid are known as "Basic Aid" districts. Basic Aid districts are those districts whose local property tax collections are of the magnitude that when compared to the district's total revenue limit result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State's Constitution as Basic Aid. In some districts, the local property tax collections exceed the total revenue limit. Current law in California allows these districts to keep the excess without penalty. The implication for Basic Aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts primary funding sources. Rather, property tax growth and the local economy become the determining factors. Cardiff School District, Carlsbad Unified School District, Encinitas Union School District and San Dieguito Union High School District are each "Basic Aid" districts; none of the other Districts are "Basic Aid" districts.

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. A significant portion of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 2% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery requires the funds to be used exclusively for the education of pupils and students and no funds are to be spent for acquisition of real property, construction of facilities, financing of research, or any other non-instructional purpose.

The State revenue limit was first instituted in Fiscal Year 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from State and local sources. Prior to Fiscal Year 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher

tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. By disconnecting the amount of revenue to be spent per ADA from the tax rate needed to generate it, the State revenue limit helps to alleviate the inequities derived from varying property values among districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the appropriate county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school districts and notify the State Controller of the amount, who then distributes the State aid. See “State and Federal Funding of Education — Recent State Budgets” and “ - State Cash Management Plan” herein for information regarding the deferred apportionments during Fiscal Years 2010-11 and 2011-12.

The calculation of the amount of State aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA is adjusted according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year’s State revenue limit per ADA for each school district is multiplied by such school district’s ADA for either the current or prior year. Fourth, revenue limit adjustments are calculated for each school district that qualifies for the adjustments. Adjustments include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of State aid, based on the State revenue limit, to which each school district is entitled for the current year.

Federal Revenues

The federal government provides funding for several Districts’ programs, including programs that benefit educationally disadvantaged students and students with limited English skills, and that provide other specialized services to students and administration. See “– Recent State Budgets - State Budget for Fiscal Year 2011-12” herein for a description of additional federal funding for which certain of the Districts may be eligible.

State Budget Process Related to Funding of Education

General. As is true for all school districts in California, operating income of each District consists primarily of two components: a State portion funded from the State’s general fund and a local portion derived from each Districts’ share of the 1% local *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. As a result, decreases in State revenues or in State legislative appropriations made to fund education, may significantly affect the operations of the Districts.

According to the State Constitution, the Governor of the State is required to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a two-thirds vote of each house of the State Legislature no later than June 15 of each year, although this deadline is routinely breached. The State’s budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. On May 29, 2002, the State Court of Appeal held in *White v. Davis* (also referred to as *Jarvis v. Connell*) that the State Controller cannot disburse State funds after the

beginning of the Fiscal Year until the adoption of the budget bill or an emergency appropriation, unless the expenditure is: (1) authorized by a continuing appropriation found in statute, (2) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (3) mandated by federal law (such as payments to State workers at no more than minimum wage). The court specifically held that the State Constitution does not mandate or otherwise provide for appropriations for school districts without an adopted budget. Nevertheless, the Controller believes that statutory implementation of the constitutional school funding formula provides for a continuing appropriation of State funding for schools, and has indicated that payment of such amounts would continue during a budget impasse. Special and categorical funds would not be appropriated until a budget or emergency appropriation is adopted. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the State Legislature fail to pass the budget or emergency appropriation before the start of any Fiscal Year, the Districts might experience delays in receiving certain expected revenues. The Districts are authorized to borrow temporary funds to cover their respective annual cash flow deficits, and as a result of the *White* decision, the Districts might find it necessary to increase the size or frequency of their cash flow borrowings, or to borrow earlier in the Fiscal Year.

State income tax, sales tax, and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because funding for education is closely related to overall State income, as described in this section, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. Brief descriptions of the adopted State Budget for Fiscal Year 2011-12, the proposed State budget for Fiscal Year 2012-13 and the May Revision to the proposed State budget for Fiscal Year 2012-13 are included below. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget”. An impartial analysis of the budget is posted by the State’s Legislative Analyst’s Office (“LAO”) at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts within the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information contained in the websites referred to herein is prepared by the respective State agency maintaining each website and not by the Districts. The Districts have not independently reviewed the information in these websites and the Districts take no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by those references.

Aggregate State Education Funding. Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution) (“Proposition 98”), a minimum level of funding is guaranteed (the “Proposition 98 Guarantee”) to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K through 14).

The guaranteed funding amount for K through 14 education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State’s share of the guaranteed amount is based on State General Fund tax proceeds and is not based on the State General Fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given Fiscal Year’s budget, from the Governor’s initial budget proposal to actual expenditures, as the various factors change. Over the long run, the guaranteed amount will increase as enrollment and per-capita personal income grow. On average, about 40 percent of State General Fund tax proceeds are spent on the State’s share of Proposition 98 funding.

The Proposition 98 Guarantee may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount. However, the amount of underfunding during suspension of Proposition 98 Guarantee will result in permanent savings to the State.

When State General Fund revenues have failed to reach budgeted levels, the State has implemented a number of retroactive funding adjustments and deferrals within and across fiscal years, distorting funding over many years, making cross-year comparisons difficult, and making short- and long-term budgeting difficult for school and community college districts. In several years in the early 1990s, as the State's economy was sliding into a recession, the State's budgeted allocations for school and community college districts proved to be more than the Proposition 98 Guarantee would have required. The excess amounts were later treated by the State as advances to K through 14 education against subsequent years' Proposition 98 Guarantee, resulting in aggregate funding reductions of over \$1 billion in those subsequent years. In 2003-04, 2004-05 and 2008-09, the worsening State financial position again resulted in retroactive adjustments as well as current-year cuts. LAO reported that legislative actions in mid-Fiscal Year 2002-03 eliminated \$2.5 billion from budgeted Proposition 98 funding through a combination of deferral of expenditures to Fiscal Year 2003-04, use of one-time funds, captured program savings, and other cuts. In general, deferral of education expenditures and reductions in the components of Proposition 98 funding have the effect of reducing the base from which the Proposition 98 Guarantee is calculated in the future. Legislation enacted in March 2003 permanently defers the apportionment of Proposition 98 funds, scheduled each year for June, to each July 2, and thereby deferring apportionment from one Fiscal Year to the next. These and other techniques significantly reduced the amount of the Proposition 98 Guarantee for Fiscal Years 2003-04 and subsequent fiscal years. See "State and Federal Funding of Education - Recent State Budgets - State Cash Management Plan" herein for information regarding additional deferred apportionments.

State Budget for Fiscal Year 2011-12

On June 30, 2011, the Governor signed the 2011 State Budget Act for Fiscal Year 2011-12 (the "2011-12 State Budget Act") to address a then-projected \$26.6 billion deficit through June 30, 2012. After accounting for budgetary actions adopted by the State Legislature, higher than expected revenues and updated expenditure projections, the 2011-12 State Budget Act projects that the State's structural deficit has been reduced to less than \$5 billion annually. The 2011-12 State Budget Act estimates Fiscal Year 2011-12 revenues and transfers of \$88.5 billion, total expenditures of \$85.9 billion and a year-end surplus of \$1.3 billion (net of the negative \$1.2 billion prior-year State General Fund balance). The 2011-12 State Budget Act allocates the projected surplus to the reserve for the liquidation of encumbrances (\$770 million) and the special fund for economic uncertainties (\$543 million).

The 2011-12 State Budget Act authorized approximately \$601.0 million in funding reductions in the areas of higher education, health and human services and public safety, beginning in January 2012, if the State's Director of Finance estimated that the State's revenues for Fiscal Year 2011-12 would be less than \$87.5 billion, but would be at least \$86.5 billion. If the State's Director of Finance estimated that revenues for Fiscal Year 2011-12 would be less than \$86.5 billion, the 2011-12 State Budget Act authorized an additional \$1.86 billion in education reductions including, among other things, the reductions described in paragraph (5) below. See "DISTRICT FINANCIAL INFORMATION - District Budget - Reductions to Fiscal Year 2011-12 Education Expenditures and District Contingency Plan" herein.

Certain of the features of the 2011-12 State Budget Act which could affect school districts in the State include the following:

1. The 2011-12 State Budget Act proposes to fund Proposition 98 for Fiscal Year 2011-12 at approximately \$48.7 billion, which reflects a decrease of \$1.1 billion from the estimated Fiscal Year 2010-11 funding level.

2. In addition to traditional calculations based upon General Fund revenues, the Proposition 98 guarantee set forth in the 2011-12 State Budget Act reflects: (i) an increase of \$578.1 million to ensure that the Proposition 98 minimum guarantee does not decrease with the shift in motor vehicle fuel revenues; (ii) an increase of \$221.8 million to reflect the inclusion of mental health and out-of-home care services within the Proposition 98 guarantee; (iii) a decrease of \$1.134 billion to reflect the exclusion of child care programs, with the exception of part-day preschool programs from Proposition 98; and (iv) a decrease of \$1.7 billion to ensure that the total Proposition 98 guarantee remains unchanged as a result of new local revenue related to redevelopment agencies. See “State Funding of Education - Litigation Regarding State Budgetary and Fiscal Actions” herein.

3. In connection with the 2011-12 State Budget Act, Assembly Bill 114 directs school districts to budget based upon the same level of revenue per unit of average daily attendance as it received in Fiscal Year 2010-11 and to maintain staffing and program levels commensurate with that level. Pursuant to AB 114, the State will reduce funding beginning in February 2012 in the event the State’s revenues are below the projections set forth in the 2011-12 State Budget Act. In addition, for the 2011-12 fiscal year, each school district will not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years as part of the interim report process. AB 114 also provides schools with the authority to reduce the minimum number of instructional days and minutes by up to seven days during Fiscal Year 2011-12, which is in addition to the authority to reduce the number of instructional days by up to five days under previous law.

4. Pursuant to the 2011-12 State Budget Act, certain sales and use tax revenues transferred in accordance with the Governor’s realignment plan would not be General Fund revenues for the purposes of calculating the Proposition 98 guarantee. The State’s treatment of such revenues will be operative for Fiscal Year 2011-12 and subsequent years only if one or more ballot measures, which must be approved before November 17, 2012, authorize such revenues to be so treated and provide funding for school districts and community college districts in an amount equal to that which would have been provided if such tax revenues were General Fund revenues for purposes of Proposition 98.

5. The 2011-12 State Budget Act authorized trigger reductions to certain Proposition 98 allocations in the event the State’s Director of Finance determined that the State’s revenues for Fiscal Year 2011-12 would not meet or exceed projected levels. In such event, the 2011-12 State Budget Act authorized a reduction of up to \$1.5 billion from K-12 education relating to the aforementioned seven day reduction in the school year and a reduction of up to \$248 million relating to the elimination of funding for home-to-school transportation. See “DISTRICT FINANCIAL INFORMATION District Budget Reductions to Fiscal Year 2011-12 Education Expenditures and District Contingency Plan” herein.

6. The 2011-12 State Budget Act includes the deferral of \$2.1 billion in State Aid to Fiscal Year 2012-13 from Fiscal Year 2011-12 which was proposed in the 2011-12 Proposed State Budget and withdrawn in the May Revision to the 2011-12 Proposed State Budget.

7. The 2011-12 State Budget Act imposes a deficit factor of 19.754% on the revenue limit for Fiscal Year 2011-12, which reflects an increase from the deficit factor of 19.608% previously authorized for Fiscal Year 2011-12 under the Education Code.

8. In connection with the Governor’s realignment plan, the 2011-12 State Budget Act approves a Voluntary Alternative Redevelopment Program (“VARP”), pursuant to which redevelopment

agencies may continue operating provided that their respective establishing cities or counties agree to provide \$1.7 billion in payments to K-12 schools. If the establishing cities or counties do not agree to make payments to K-12 schools, the related redevelopment agency will be required to cease operations pursuant to Assembly Bill X1 26 and any property tax revenues that remain after payment of such redevelopment agency's outstanding debt service obligations and allowable administrative costs will be distributed to cities, counties, special districts, and K-14 schools.

9. The 2011-12 State Budget Act provides \$98.6 million from the Mental Health Services Fund to county mental health services on a one-time basis for mental health services to special education students. On-going responsibility for these services, including out-of-home residential services, is realigned to school districts. The Governor has stated that schools districts may contract with counties to provide services using Proposition 63 funds, but school districts would be responsible for any costs exceeding this amount.

10. The 2011-12 State Budget Act provides \$6.6 million in federal funding for the California Longitudinal Pupil Achievement Data System. The Governor vetoed the provision of \$2.1 million in federal funds that the State Legislature had provided for the California Longitudinal Teacher Integrated Data Education System in Fiscal Year 2011-12.

11. The 2011-12 State Budget Act provides \$3.2 million to support the Clean Technology and Renewable Energy Job Training, Career Technical Education, and Dropout Prevention Program. The program is designed to create partnerships between schools and businesses to provide occupational training for at-risk high school students in areas such as conservation, renewable energy, and pollution reduction.

12. The 2011-12 State Budget Act authorizes flexibility to school districts for an additional two years for categorical programs, routine and deferred maintenance expenditure requirements, class size requirements, instructional time requirements, sale of surplus property, instructional materials purchase requirements, and local budget reserve requirements.

State Budget for Fiscal Year 2012-13

Fiscal Year 2012-13 Proposed State Budget. On January 5, 2012, Governor Brown released his 2012-13 Proposed Budget (the "Fiscal Year 2012-13 Proposed State Budget"), which estimates that, without corrective action, the State will end Fiscal Year 2012-13 with a \$9.2 billion deficit consisting of a \$4.1 billion State General Fund deficit through the end of Fiscal Year 2011-12 (rather than the \$1.5 billion reserve balance assumed in the 2011-12 State Budget Act) and a \$5.1 billion excess of expenditures over revenues for Fiscal Year 2012-13. The Fiscal Year 2012-13 Proposed State Budget proposes \$10.3 billion in expenditure reductions and increased revenues (including a temporary increase in income and sales taxes proposed for the November 2012 ballot (the "2012 Tax Initiative")) to balance the State's budget for Fiscal Year 2012-13 and to rebuild a reserve. Assuming the passage of the 2012 Tax Initiative, the Fiscal Year 2012-13 Proposed State Budget estimates Fiscal Year 2012-13 revenues and transfers of \$95.4 billion, total expenditures of \$92.6 billion and a year-end surplus of \$1.9 billion (net of the negative \$985 million prior-year State General Fund balance). The Fiscal Year 2012-13 Proposed State Budget allocates the projected surplus to the reserve for the liquidation of encumbrances (\$719 million) and the special fund for economic uncertainties (\$1.1 billion).

The Fiscal Year 2011-12 Proposed State Budget relies in part on passage of the 2012 Tax Initiative, pursuant to which the personal income tax rates for certain high income earners would increase for five years (2012 through 2016) and State sales and use tax would increase by one-half percent for four years (2013 through 2016). The Fiscal Year 2012-13 Proposed State Budget projects that 2012 Tax

Initiative, if approved, would generate approximately \$6.9 billion through Fiscal Year 2012-13 and generate billions of dollars per year until its expiration. The taxes would be deposited into the State's General Fund to pay for Proposition 98 school funding obligations and certain State programs. In the event the 2012 Tax Initiative fails to pass, the Fiscal Year 2012-13 Proposed State Budget specifies approximately \$5.4 billion in expenditure reductions in, among other things, education (accounting for 90% of the targeted reductions) and judicial branch appropriations. The Governor notes that the implementation of many of the proposals contained in the Fiscal Year 2012-13 Proposed State Budget will require additional time before savings are accrued and additional expenditure reductions may be needed.

Certain of the features of the Fiscal Year 2012-13 Proposed State Budget which could affect school districts in the State include the following:

1. The Fiscal Year 2012-13 Proposed State Budget proposes State General Fund expenditures for Proposition 98 of approximately \$37.5 billion during Fiscal Year 2012-13 which reflects an increase from the projected \$32.6 billion General Fund expenditures for Proposition 98 during Fiscal Year 2011-12. Such increase includes a proposal to increase General Fund expenditures for Proposition 98 by \$2.2 billion during Fiscal Year 2012-13 to reduce inter-year budgetary deferrals. The proposed Proposition 98 expenditures assume approval of the 2012 Tax Initiative.

2. The Fiscal Year 2012-13 Proposed State Budget proposes a zero percent COLA for Fiscal Year 2012-13 rather than the projected statutory COLA of 3.17% (which would have provided a \$1.8 billion increase in expenditures from the State to the extent Proposition 98 resources were sufficient). Due to the absence of a COLA, the Fiscal Year 2012-13 Proposed State Budget proposes to establish a deficit factor for school district and county office of education revenue limit apportionments.

3. The Fiscal Year 2012-13 Proposed State Budget proposes to eliminate the mandate that local education agencies provide transitional kindergarten instruction, which is the first year of a two-year kindergarten program that uses a modified kindergarten curriculum for children not eligible for kindergarten based on their age. Such proposal, if enacted, would reduce the State's General Fund expenditures by \$223.7 million. Local education agencies would have the option to enroll children not meeting kindergarten age on a case-by-case basis.

4. The Fiscal Year 2012-13 Proposed State Budget proposes to increase General Fund expenditures for Proposition 98 for special education by approximately \$190 million, inclusive of \$98.6 million for students with exceptional needs supported with Mental Health Services Act funds for Fiscal Year 2011-12, \$91.4 million to backfill budgetary adjustments in Fiscal Year 2011-12 and \$12.3 million for increases in ADA.

5. The Fiscal Year 2012-13 Proposed State Budget proposes to provide to charter schools additional access to funds by specifying that local educational agencies may include charter schools in their issues of County Treasury Revenue Anticipation Notes. Local education agencies that issue County Treasury Revenue Anticipation Notes would be statutorily identified as senior creditors for the purposes of the repayment of the County Treasury Revenue Anticipation Notes issued on behalf of a charter school.

6. The Fiscal Year 2012-13 Proposed State Budget proposes to modify the mandate reimbursement system for K-14 schools and provide an increase of \$110.1 million in General Fund expenditures to fund the new system. If approved, the proposal would eliminate certain mandates beginning and consolidate the remaining mandates in a block grant commencing Fiscal Year 2013-14. The Fiscal Year 2012-13 Proposed State Budget proposes to allow local education agencies the option to

receive block grant funding for all mandates in the block grant or claim reimbursement separately for each individual program.

6. In *California Redevelopment Association et al. v. Matosantos et al.*, the California Supreme Court upheld Assembly Bill 26 of the 2010-11 First Extraordinary Session, which will lead to the dissolution of all redevelopment agencies within the State on February 1, 2012. Revenues that would have been directed to the redevelopment agencies will be used to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies. The Fiscal Year 2012-13 Proposed State Budget projects that the elimination of redevelopment agencies will provide additional property tax revenue in the amount of \$1.05 billion for K-14 schools, \$340 million for counties, \$220 million for cities and \$170 million for special districts.

7. The Fiscal Year 2012-13 Proposed State Budget proposes to implement a weighted pupil funding formula which would consolidate funding for the majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. If approved, the formula would allocate funds based on the costs of educating specific student populations, including among others, economically disadvantage students and English language learners. The Fiscal Year 2012-13 Proposed State Budget proposes to phase in the formula over a period of five years. During such period, funding for the programs to be replaced by the formula would be made flexible for use in supporting any locally determined educational purpose.

8. The Fiscal Year 2012-13 Proposed State Budget proposes a decrease of \$694 million in Fiscal Year 2011-12 for school district and county office of education revenue limits as a result of a decrease in projected ADA from the 2011 Budget Act. The Fiscal Year 2012-13 Proposed State Budget proposes an increase of \$158 million in 2012- 13 for school district and county office of education revenue limits as a result of projected growth in ADA for Fiscal Year 2012-13.

LAO Analysis of the 2012-13 Proposed State Budget. On January 11, 2012, the LAO released a report entitled “The 2012-13 Budget: Overview of the Governor’s Budget” (the “2012 LAO Budget Overview”), which provides an analysis by the LAO of the Fiscal Year 2012-13 Proposed State Budget. The 2012 LAO Budget Overview states that the Governor has made a good-faith effort in revenue and economic forecasting despite the many uncertainties involved in projecting the State’s recovery from the current economic downturn. Nevertheless, the LAO’s revenue estimates for Fiscal Years 2011-12, 2012-13, and subsequent years currently are lower than the Governor’s estimates and the LAO’s estimates of revenues from the Governor’s 2012 Tax Initiative are significantly lower than those of the Governor’s. In reviewing the Governor’s major proposals, the 2012 LAO Budget Overview states that the Governor’s proposals for restructuring the school finance system, community college categorical funding and education mandates and his proposals for reducing social services and child care program funding merit consideration. The 2012 LAO Budget Overview also stated that the Governor’s 2012 Tax Initiative would increase the State budget’s dependence on the volatile income tax payments by the State’s wealthiest individuals and the trigger reductions proposed therein would create significant uncertainty for schools, community colleges, and universities in Fiscal Year 2012-13 if implemented. The 2012 LAO Budget Overview concludes that if the State chooses either of the Governor’s two paths (*i.e.*, the multiyear tax increases and significant reductions in social services and subsidized child care programs or the trigger reductions largely relating to schools), the State budget would come closer to being balanced over the next several years.

LAO Economic and Revenue Update. On February 27, 2012, the LAO released a report entitled “The 2012-13 Budget: Economic and Revenue Update” (the “Economic and Revenue Update”), which provides analysis and projections by the LAO of the trends in the economy and State revenues. The LAO

notes that the economic recovery in the State and in the United States is continuing. However, the LAO cautions that such recovery is limited by an unemployment rate within the State that remains significantly high compared to other states, a growth in long-term unemployment, and a labor force participation rate in the State is lower than the United States as a whole. Nevertheless, the Economic and Revenue Update projects that employment and personal income will continue to increase during Fiscal Year 2012-13. The Economic and Revenue Update notes that recovery is generally on track with expectations but has been limited by lingering foreclosure activity and declining home values, weak growth in disposable income, and constrained spending by federal, State and local governments. The LAO cautions that certain economic risks and uncertainties, including among others, future federal policies, spikes in oil prices, a prolonged slump in the housing market that reduces growth of building permits and the State's construction industry, and significant and persistent economic problems in Europe limit the certainty within the forecasts set forth in the Economic and Revenue Update.

The Economic and Revenue Update projects that the State's revenues for Fiscal Years 2011-12 and 2012-13, including consideration of federal tax policy assumptions, estimates relating to the Governor's 2012 Tax Initiative, and estimates of revenues due to the public stock offerings of technology companies located in the State, will be \$6.5 billion less than the Governor's projections. The Economic and Revenue Update indicates that the State will have to identify additional budgetary measures to balance the State's budget for Fiscal Year 2012-13 in the event the LAO's revenue projections are more accurate than those set forth in the Fiscal Year 2012-13 Proposed State Budget.

Governor's Revised 2012 Tax Initiative. On March 14, 2012, the Governor announced that he would combine the Governor's 2012 Tax Initiative with an initiative proposed by the California Federation of Teachers to place the "California Sales and Income Tax Increase Initiative" (the "Governor's Revised 2012 Tax Initiative") on the November 2012 ballot. If approved in its current form, the Governor's Revised 2012 Tax Initiative would temporarily increase maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The LAO projects that the increased personal income tax rates would affect approximately 1 percent of personal income tax filers in the State due to the high income threshold. If approved, the Governor's Revised 2012 Tax Initiative would be in effect from the 2012 tax year to the 2018 tax year. In addition, the Governor's Revised 2012 Tax Initiative would temporarily increase the State's sales and use tax rate by 0.25 percent from 2013 to 2016. On March 16, 2012, the LAO released its review of the Governor's Revised 2012 Tax Initiative. The LAO projects that revenues attributable to the Governor's 2012 Tax Initiative will be less than the Governor's \$9 billion estimate.

May Revision to the Fiscal Year 2012-13 Proposed State Budget. On May 14, 2012, the Governor released the May Revision to the Fiscal Year 2012-13 Proposed State Budget (the "May Revision"), which estimates that the State's budgetary shortfall for Fiscal Year 2012-13 has increased to \$15.7 billion as a result of reduced revenue forecasts, increases in school funding and unfavorable litigation outcomes and determinations by the federal government. The May Revision proposes \$16.7 billion in budgetary actions in Fiscal Years 2011-12 and 2012-13 to address the projected budgetary shortfall and provide for a reserve of \$1.0 billion at the end of Fiscal Year 2012-13. The May Revision proposes to address the State's deficit through additional spending reductions (including the use of local reserves to reduce State General Fund costs for local trial courts on a one-time basis, reductions to hospital and nursing home funding and reductions in IHSS hours), implementation of the temporary tax increases set forth in the Governor's Revised 2012 Tax Initiative and use of various transfers, loans and repayment extensions. Assuming adoption of the proposals set forth in the May Revision and the approval of the Governor's Revised 2012 Tax Initiative, the Governor estimates that the State will end Fiscal Year 2011-12 with revenues and transfers of \$86.809 billion, total expenditures of \$86.500 billion and a year-end deficit of \$2.535 billion, which includes a \$2.844 billion prior-year State General Fund deficit and an

allocation of \$719 million to the reserve for the liquidation of encumbrances. The May Revision projects Fiscal Year 2012-13 revenues and transfers of \$95.689 billion, total expenditures of \$91.387 billion and a year-end surplus of \$1.767 billion (net of the \$2.535 billion deficit from Fiscal Year 2011-12), of which \$719 million will be reserved for the liquidation of encumbrances and \$1.048 billion will be deposited in a reserve for economic uncertainties.

The May Revision also sets forth \$6.1 billion in trigger cuts that are scheduled to go into effect on January 1, 2013 should the Governor's Revised 2012 Tax Initiative fail to pass, including reduced funding for schools, community colleges and other higher education institutions, and reduced funding for a variety of public safety programs. The May Revision further states that potential cost increases associated with actions to reduce the federal deficit, federal government and court decisions, the pace of the economic recovery, an aging population and rising health care costs, among other things, threaten the ability of the State to achieve and maintain a balanced budget over the long-term.

Features of the May Revision affecting school districts in the State in general include, but are not limited to, the following:

1. The May Revision assumes that the State's voters will approve the Governor's Revised 2012 Tax Initiative. In connection with the increased General Fund revenues, the May Revision proposes Proposition 98 expenditures of \$53.7 billion for Fiscal Year 2012-13. In addition, the May Revision projects that more than \$4 billion in additional funding will be available for allocation to schools in Fiscal Year 2012-13. The May Revision proposes that the State apply the increased Proposition 98 funds to fund cost of living adjustments, restore the deficit factor reductions to the revenue limit and reduce deferrals of State Aid.

2. In the event that voters do not approve the Governor's Revised 2012 Tax Initiative, the May Revision projects that trigger reductions will reduce funding K-14 education expenditures by approximately \$5.49 billion. In connection therewith, Proposition 98 expenditures would be approximately \$48.2 billion subsequent to the re-benching of General Fund revenues. Further, the May Revision's proposed \$2.8 billion deferral repayment would not occur in Fiscal Year 2012-13.

3. The May Revision proposes to decrease Proposition 98 expenditures by \$558.6 million to reflect the elimination of the adjustment that was adopted to hold schools harmless from the elimination of the sales tax on gasoline commencing Fiscal Year 2010-11.

4. The May Revision proposes to maintain the rebenching methodology used in the State Budget Act for Fiscal Year 2010-11 for mental health services for children and childcare and provide approximately \$417 million to support educationally-related mental healthy services.

5. The May Revision proposes several adjustments to Proposition 98 spending for Fiscal Year 2012-13 including, among other things, a reduction in the amount of \$1.498 billion from the General Fund, use of an over-appropriation of Proposition 98 moneys in Fiscal Year 2011-12 to pay Proposition 98 funding required by the court decision in *California Teacher's Association vs. Schwarzenegger* in the amount of \$785.3 million. In addition, the May Revision proposes to decrease General Fund spending for the Quality Education Investment Act by \$450 million. The May Revision proposes to fund QEIA in Fiscal Year 2013 with amounts within the Proposition 98 minimum guarantee.

6. The May Revision proposes to restore approximately \$9.6 billion in reductions that have been made to Proposition 98 funding since Fiscal Year 2007-08 and to reduce inter-year deferrals of State Aid to \$7.6 billion from the current amount of \$10.4 billion.

7. The Governor continues to propose the weighted student formula set forth in the Fiscal Year 2012-13 Proposed State Budget. However, the May Revision proposes to phase-in the weighted student formula over seven years instead of five. The May Revision proposes to increase the base grant portion of the weighted student formula to \$5,421 from \$4,920. In addition, the May Revision proposes to restore the existing deficit factor reduction to revenue limits before the weighted student formula is fully implemented. Further, the May Revision revises the base grant, supplemental grant and concentration grant formulas based on grade level and status of students as English learners and participants in the Free and Reduced Lunch Program.

8. In consideration of the Governor's proposal to eliminate certain mandates regarding K-12 education and establish block grant programs, the May Revision proposes, among other things, to distribute funding to school districts, county office of education, and charter schools equally based on ADA for K-12 schools and eliminate the six costliest mandates, Graduation Requirements (Second Science Counsel), Behavioral Intervention Plans, Habitual Truants, Notification of Truancy, Notification to Teachers and Pupil Discipline Records, and Pupil Suspend, Expulsions, and Expulsion Appeals. The aforementioned mandates would be suspended in Fiscal Year 2012-13 until such time as the State Legislature can repeal them in their entirety.

9. State law requires that schools provide transitional kindergarten beginning in Fiscal Year 2012-13. The May Revision continues the proposal set forth in the Fiscal Year 2012-13 Proposed State Budget to eliminate such requirement. The May Revision projects that savings related to the elimination of the transitional kindergarten requirement will be approximately \$91.5 million in Fiscal Year 2012-13 and such savings would be available to restore reductions to preschool and support the expansion of preschool enrollment.

10. In connection with the dissolution of redevelopment agencies pursuant to ABx1 26 and the related California Supreme Court decision in *California Redevelopment Association v. Matosantos*, the May Revision proposes legislation to create a framework for successor agencies to transfer cash assets that are not obligated or reserved for legally authorized purposes to cities, counties, special districts and K-14 schools in Fiscal Year 2012-13. The May Revision estimates that approximately \$1.4 billion in Fiscal Year 2012-13 and \$600 million in Fiscal Year 2013-14 will be allocated to school and community college districts.

11. The Fiscal Year 2012-13 Proposed State Budget proposed to require school districts to convey surplus property to any charter school opting to claim that property. The May Revision limits the proposed surplus property conveyance requirement to facilities with an educational purpose that were purchased with State funds.

12. The May Revision proposes to provide school districts with flexibility to reduce the school year by a combined total of 15 days in Fiscal Year 2012-13 and 2013-14.

LAO Overview of the May Revision. On May 18, 2012, the LAO released an analysis of the May Revision entitled "The 2012-13 Budget: Overview of the May Revision" (the "LAO May Revision Overview"). The LAO Revision May Overview states that the economic and revenue forecasts included in the May Revision are reasonable, but notes that the Governor's projected revenues for fiscal years after 2012-13 are higher than those projected by the LAO (ranging from \$1.3 billion to \$4 billion higher through Fiscal Year 2015-16). In addition, the LAO states that the Governor's estimate of former redevelopment agencies' liquid assets available for distribution is subject to considerable uncertainty due to, among other things, lawsuits that will delay distribution of funds and the amount of assets that have been spent or are contractually committed to third parties. Further, the LAO recommends that the State Legislature consider an alternative financing plan for the Proposition 98 minimum guarantee rather than

the Governor's proposal set forth in the May Revision to achieve additional budget balancing solutions. According to the LAO, the State should address two key budgetary goals: (1) retiring the accumulated deficit of recent years, which the Governor's administration presently estimates to be \$7.6 billion (which may be addressed through one-time actions) and (2) making additional progress toward addressing the State's ongoing annual operating, or structural, deficit, which the LAO presently estimates to be approximately \$10 billion through realistic and ongoing budget actions. The LAO also states that given current forecasting challenges, the adoption of realistic budgetary actions, including realistic trigger cuts, is particularly important if the State is to continue making progress toward eliminating the ongoing structural deficit.

State Cash Management Plan for Fiscal Years 2011-12 and 2012-13. In May 2012, the Governor approved Assembly Bill 103 ("AB 103") which revised the State's cash management plan for Fiscal Years 2011-12 and 2012-13. AB 103 eliminates the prohibition against the State deferring an amount greater than \$2.5 billion at any given time for school districts, county offices of education and charter schools. AB 103 defers \$1.2 billion of State Aid in July 2012, of which \$700 million would be paid in September 2012, \$600 million of State Aid in August 2012 and \$800 million of State Aid in October 2012. AB 103 directs the State to pay \$1.9 billion of the deferred amounts from July 2012, August 2012 and October 2012 in January 2013. In addition, \$900 million of State Aid is deferred in March 2013 and repaid in its entirety in April 2013. AB 103 provides that a hardship waiver is available in the event a local education agency establishes that it may not be able to meet its financial obligations if payments are deferred in accordance with the schedule.

The State's Department of Finance has proposed a revision (the "DOF Cash Management Plan") to the State's cash management plan to accommodate the uncertainty relating to the Governor's 2012 Revised Tax Initiative. Pursuant to the DOF Cash Management Plan, the State would reduce State Aid to school districts by \$346 million in each of July 2012 and August 2012 and by \$623 million in each of September 2012, October 2012, November 2012, December 2012 and January 2013 regardless of whether the Governor's 2012 Revised Tax Initiative is approved or defeated by voters.

In the event the Governor's 2012 Revised Tax Initiative is approved, the State would reduce State Aid to school districts by \$623 million in February 2013, March 2013, April 2013 and May 2013 and would provide to school districts State Aid in the amount of \$6.9 billion in June 2013. However, in the event the Governor's Revised Tax Initiative is not approved, the DOF Cash Management Plan proposes to impose trigger reductions to State Aid of \$478 million in each February 2013, March 2013, April 2013, May 2013 and July 2013 and would increase State Aid by \$761 million in each of February 2013, March 2013, April 2013, May 2013 and July 2013. The District cannot predict whether the DOF Cash Management Plan will be approved in its present form. The District continues to monitor the DOF Cash Management Plan and legislation relating to the State's cash management plan. However, the District cannot predict the manner in which such legislation will affect the financial status of the District or the State.

Potential Impact of the 2012-13 Proposed State Budget and May Revision on the Districts. The following table sets forth the projected revenue limits per ADA, prior to application of the deficit factor, for each District based upon the 2012-13 Proposed State Budget and May Revision. See "State Cash Management Plan" for a description of deferrals of school district funding.

PROJECTED BASE REVENUE LIMIT PER ADA
Fiscal Year 2012-13

District	Projected Base Revenue Limit⁽¹⁾
Borrego Springs Unified School District	\$ 7,918.02
Cardiff School District	6,409.32
Carlsbad Unified School District	6,700.15
Chula Vista Elementary School District	6,458.52 ⁽²⁾
Encinitas Union School District	6,445.67
Escondido Union School District	6,433.04
Fallbrook Union High School District	7,746.95
Grossmont Union High School District	7,769.06 ⁽²⁾
National School District	6,494.90
Oceanside Unified School District	6,720.13
San Dieguito Union High School District	7,700.92
Vista Unified School District	6,818.37

Source: San Diego County Office of Education.

⁽¹⁾ Based on the May Revision to the 2012-13 Proposed State Budget. Reflects amounts prior to application of the deficit factor.

⁽²⁾ Projection provided by the District.

Future State Budgets. The Districts and the County cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues or increased expenses for the Districts and the County, the Districts and the County will be required to make adjustments to their respective budgets. In the event of revision to the 2011 State Budget Act includes decreases in a District's revenues or increases in required expenditures by such District from the levels assumed by such District, such District will be required to generate additional revenues, curtail programs and/or services, or spend down its reserve to ensure a balanced budget.

No prediction can be made by the Districts as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Districts cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Districts have no control.

State Cash Management Plan. Pursuant to State law, the State defers a portion of the principal apportionment payments from the general fund of the State ("State Aid") to school and community college districts within a fiscal year ("Intra-Fiscal Year Deferrals") and from one fiscal year to a subsequent fiscal year ("Cross-Fiscal Year Deferrals") in order to manage the State's cash flow. Pursuant to the State Education Code, warrants for the principal apportionments for the month of February in the amount of \$2 billion are drawn in July of the same calendar year, warrants for the principal apportionments for the month of April in the amount of \$678.6 million and for the month of May in the

amount of \$1 billion are drawn in August of the same calendar year, warrants for the principal apportionments for the month of April in the amount of \$419 million and for the month of May in the amount of \$800 billion, and for the month of June in the amount of \$500 million are drawn in July of the same calendar year and warrants for the principal apportionments for the month of March in the amount of \$1.3 billion and for the month of April in the amount of \$763.8 billion are drawn in August of the same calendar year.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

Article XIII A of the California Constitution. Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the one-percent limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, or (2) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the bond proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. The California courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each County and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIIC and Article XIID of the California Constitution. On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

Article XIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on school bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of the respective Districts and the County with respect to such taxes. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or Beneficial Owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the Districts.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Expenditures and Appropriations

Article XIIB of the California Constitution. In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and local governments are subject to an annual “appropriations limit” or “Gann Limit” imposed by Article XIIB of the State Constitution, which effectively limits the amount of such revenues that government entities are permitted to spend. Article XIIB, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds.

Article XIIB also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters, appropriations

required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990, levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Each school district is required to establish an appropriations limit each year. In the event that a school district's revenues exceed its spending limit, the district may increase its appropriations limit to equal its spending by taking appropriations limit from the State.

Proposition 111 requires that each agency's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years. If the State's aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, 50% of the excess is transferred to fund the State's contribution to school and college districts.

Future Initiatives. Articles XIII A, XIII B, XIII C, and XIII D, and Propositions 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the revenues of the Districts.

STATISTICAL AND FINANCIAL INFORMATION REGARDING THE DISTRICTS

In connection with the offering of the Note Participations, each of the Districts has provided the following information and the summary of financial information of the Districts provided under “SUMMARY OF DISTRICT FINANCIAL INFORMATION” herein.

Average Daily Attendance

The following sets forth the average daily attendance (second period) for the Fiscal Years ended June 30, 2008 through 2011 and projections for the Fiscal Year ending June 30, 2012 for each of the Districts:

AVERAGE DAILY ATTENDANCE Second Principal Apportionment⁽¹⁾ Fiscal Years 2007-08 through 2011-12

District	2007-08	2008-09	2009-10	2010-11	2011-12 ⁽²⁾
Borrego Springs Unified School District	448	445	449	453	459
Cardiff School District ⁽³⁾	684	709	713	734	739
Carlsbad Unified School District ⁽³⁾	10,283	10,314	10,418	10,593	10,652
Chula Vista Elementary School District ⁽⁴⁾	26,413	21,851	22,300	22,393	22,494
Encinitas Union School District ⁽³⁾	5,229	5,279	5,259	5,243	5,293
Escondido Union School District	17,631	17,435	17,249	16,963	16,763
Fallbrook Union High School District	2,904	2,886	2,811	2,914	2,922
Grossmont Union High School District	18,463	19,037	18,855	18,368	17,773
National School District	5,553	5,466	5,548	5,564	5,546
Oceanside Unified School District	19,196	19,524	19,133	18,808	18,507
San Dieguito Union High School District ⁽³⁾	12,319	12,075	12,150	12,033	11,957
Vista Unified School District	23,165	22,226	21,600	21,469	21,440

Source: Data for Fiscal Years 2007-08 through 2010-11 are ADAs at P-2, as set forth in the supplemental information section of each respective District’s audit report, and data for Fiscal Year 2011-12 are ADAs at P-2, as set forth in the second interim financial reports of each respective District, unless otherwise noted.

⁽¹⁾ Excludes adults enrolled in adult education programs.

⁽²⁾ Projected.

⁽³⁾ Basic Aid District. See “STATE AND FEDERAL FUNDING OF EDUCATION - Major Revenues” herein.

⁽⁴⁾ Includes charter schools.

Base Revenue Limit

The following table sets forth the actual base revenue limit per ADA for Fiscal Year 2010-11 and the budgeted base revenue limit per ADA for Fiscal Year 2011-12 for each of the Districts:

BASE REVENUE LIMIT PER ADA Fiscal Years 2010-11 and 2011-12⁽¹⁾

District	2010-11 (Actual) ⁽¹⁾	2011-12 (Budgeted) ⁽²⁾
Borrego Springs Unified School District	6,983.14	7,693.05
Cardiff School District ⁽³⁾	6,059.54	6,210.87
Carlsbad Unified School District ⁽³⁾	6,341.31	6,492.88
Chula Vista Elementary School District	6,071.25	6,254.07
Encinitas Union School District ⁽³⁾	6,109.81	6,246.81
Escondido Union School District	6,075.60	6,234.35
Fallbrook Union High School District	7,336.10	7,508.68
Grossmont Union High School District	7,339.00	7,525.34
National School District	6,078.48	6,294.40
Oceanside Unified School District	6,338.66	6,511.54
San Dieguito Union High School District ⁽³⁾	7,290.08	7,462.65
Vista Unified School District	6,342.61	6,485.61

Source: Second interim financial reports of each respective District.

⁽¹⁾ Amounts are prior to application of the deficit factor, which was 17.963% for Fiscal Year 2010-11, and other adjustments pursuant to the Fiscal Year 2010-11 State Budget Act.

⁽²⁾ Amounts listed are budgeted and thus do not reflect actual financial results or the outcome of State budget negotiations and revisions. Further, amounts are prior to the application of the deficit factor, which is 20.602% for Fiscal Year 2011-12, and other adjustments pursuant to the Fiscal Year 2011-12 State Budget Act and SB 81 (defined herein).

⁽³⁾ Basic Aid District. See "STATE AND FEDERAL FUNDING OF EDUCATION - Major Revenues" herein.

Employees

The following table sets forth the number of full-time equivalent certificated and classified employees and management/other employees for each of the Districts as of July 1, 2011:

FULL-TIME EQUIVALENT EMPLOYEES (As of July 1, 2011)

District	Certificated Employees	Classified Employees	Management/ Other Employees
Borrego Springs Unified School District	32.00	21.00	6.00
Cardiff School District	41.20	31.90	4.00
Carlsbad Unified School District	491.60	290.00	38.10
Chula Vista Elementary School District ⁽¹⁾	1,654.00	950.00	--
Encinitas Union School District	273.70	119.70	25.00
Escondido Union School District ⁽²⁾	888.00	445.00	82.20
Fallbrook Union High School District	124.20	107.50	17.00
Grossmont Union High School District	924.70	660.70	108.10
National School District ⁽³⁾	335.8	133.4	37.40
Oceanside Unified School District	837.00	595.20	61.00
San Dieguito Union High School District ⁽⁴⁾	553.41	330.26	--
Vista Unified School District	1,096.70	750.40	90.00

Source: The Districts, respectively.

⁽¹⁾ 184 management employees included in the Certificated and Classified employee counts.

⁽²⁾ As of the Fiscal Year 2011-12 Second Interim Report.

⁽³⁾ Management employees included in full-time equivalent certificated and classified employee counts.

⁽⁴⁾ 57.86 management employees included in the Certificated and Classified employee counts.

The following table sets forth the collective bargaining unit representing employees of each of the Districts and the expiration date of the collective bargaining agreement under which the respective District and such collective bargaining unit are currently operating:

COLLECTIVE BARGAINING AGREEMENTS

Collective Bargaining Units	Agreement Expiration Date
Borrego Springs Unified School District	
1. Borrego School Employee's Association/California Teachers Association	June 30, 2013
Cardiff School District	
1. Cardiff Elementary Teachers Association	June 30, 2014
Carlsbad Unified School District	
1. Federation of Unified School Employees/Laborers' International Union of	June 30, 2011
2. Carlsbad Unified Teachers Association/California Teachers	June 30, 2010
Chula Vista Elementary School District	
1. Chula Vista Educators ⁽¹⁾	June 30, 2011
2. Chula Vista Classified Employees Organization	June 30, 2014
Encinitas Union School District	
1. Teachers of Encinitas	June 30, 2013
2. Classified of Encinitas	June 30, 2013
Escondido Union School District	
1. Escondido Elementary Educators Association ⁽¹⁾	June 30, 2012
2. California School Employee's Association, Chapter 150	June 30, 2013
3. Certificated Management, Classified Management, Confidential,	June 30, 2012
Fallbrook Union High School District	
1. Fallbrook Union High School Teachers Association	June 30, 2014
2. Service Employees International Union, Local 2028	June 30, 2014
Grossmont Union High School District	
1. California School Employees Association, Chapter 443 ⁽¹⁾	June 30, 2011
2. Service Employees International Union, Local 22 ⁽¹⁾	June 30, 2012
3. Grossmont Education Association ⁽¹⁾	June 30, 2011
National School District	
1. National Elementary Teachers Association ⁽¹⁾	June 30, 2013
2. California School Employees Association ⁽¹⁾	June 30, 2012
Oceanside Unified School District	
1. Oceanside Teachers Association ⁽¹⁾	June 30, 2012
2. California School Employees Association ⁽¹⁾	June 30, 2012
San Dieguito Union High School District	
1. San Dieguito Faculty Association	June 30, 2015
2. California School Employees Association ⁽¹⁾	June 30, 2012
Vista Unified School District	
1. Vista Teacher's Association	June 30, 2013
2. California School Employees Association	June 30, 2013

⁽¹⁾ This District is in the process of negotiating extensions of its existing agreements or terms of a new agreement. Terms of the expired or expiring agreement continue to apply until a new agreement is finalized.

Depending on the outcome of negotiations relating to new and existing labor agreements referenced in the footnotes above, as applicable, certain of the Districts may be required to pay increased amounts in compensation to their respective employees. Other than such Districts, none of the Districts has any employee collective bargaining arrangements currently under negotiation; and none of the Districts or their respective staffs are aware of any labor disputes which may materially adversely affect the finances or operations of the District.

Outstanding Obligations

The following table sets forth the long-term outstanding obligations of each District as of June 30, 2011.

LONG-TERM OUTSTANDING OBLIGATIONS⁽¹⁾ (As of June 30, 2011)

District	General Obligation Bonds	Lease Obligations	Net OPEB Obligations	Compensated Absences
Borrego Springs Unified School District	\$ 0	\$ 232,878	\$ 48,607	\$ 22,462
Cardiff School District	8,219,000	0	13,063	12,221
Carlsbad Unified School District	203,530,319	56,329,990	6,388,401	295,485
Chula Vista Elementary School District ⁽²⁾	74,835,000	146,965,439	766,526	841,903
Encinitas Union School District	45,234,019	104,024	945,458	212,982
Escondido Union School District ⁽³⁾	65,699,622	22,685,000	4,856,664	542,976
Fallbrook Union High School District	14,315,071	12,254	3,210,708	173,001
Grossmont Union High School District ⁽⁴⁾	441,241,587	511,079	9,698,843	2,927,436
National School District ⁽⁵⁾	0	926,569	2,516,270	757,603
Oceanside Unified School District ⁽⁶⁾	224,771,959	0	438,196	903,135
San Dieguito Union High School District ⁽⁷⁾	0	13,015,000	4,264,066	1,087,549
Vista Unified School District ⁽⁸⁾	132,669,882	6,003,081	11,881,172	1,860,253

Source: Audited financial statements for each respective District and the Districts, respectively.

(1) Excludes bond and certificates of participation premium, other long-term liabilities and obligations of assessment districts, special districts, community facilities districts and community service districts and special tax bonds. Lease obligations include capital leases and lease revenue bonds.

(2) Excludes \$12,973 of other long-term debt. Subsequent to the audited financial statements for Fiscal Year 2010-11, Chula Vista Elementary School District executed and delivered its 2011 Certificates of Participation in the aggregate principal amount of \$25,000,000.

(3) Excludes \$225,000 attributable to energy revenue bonds, \$83,160 attributable to golden handshake retirement, \$426,210 attributable to a San Diego Gas & Electric Retrofit Agreement.

(4) Subsequent to June 30, 2011, Grossmont Union High School District issued its \$10,260,000 General Obligation Refunding Bonds (Election of 2004) Series 2011A and \$10,660,000 General Obligation Refunding Bonds (Election of 2004) Series 2011B (Taxable).

(5) Excludes \$84,892 in a child care facilities loan.

(6) Subsequent to the audited financial statements for Fiscal year 2010-11 Oceanside School District issued its General Obligation Bonds 2008 Election, Series C in the principal amount of \$14,999,281.90 and its 2012 General Obligation Refunding Bonds in the principal amount of \$23,585,000.

(7) Excludes \$84,850,000 of special tax bonds and \$3,000,000 on a State loan. Subsequent to June 30, 2011, San Dieguito Public Facilities Authority issued its Lease Revenue Bonds, Series 2012A (Torrey Pines High School Projects) in the aggregate principal amount of \$2,500,000.

(8) Excludes \$4,306,323 SERP retirement and \$280,000 CDE loan.

Property-Related Information

Assessed Valuation and Appeals. The assessed valuation of property in each District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution.

Total assessed valuation of property in each District for the past five Fiscal Years is set forth below.

ASSESSED VALUE OF TAXABLE PROPERTY⁽¹⁾ Fiscal Years 2007-08 through 2011-12 (\$ in thousands)

District	2007-08	2008-09	2009-10	2010-11	2011-12
Borrego Springs Unified School District	\$ 609,624	\$ 654,567	\$ 665,269	\$ 644,002	\$ 608,850
Cardiff School District	1,898,823	2,042,249	2,066,510	2,069,701	2,097,525
Carlsbad Unified School District	14,954,280	16,191,216	16,066,036	15,942,061	15,777,488
Chula Vista Elementary School District	27,040,451	27,535,979	24,501,698	23,632,595	23,572,876
Encinitas Union School District	12,901,695	13,473,200	13,444,454	13,423,583	13,693,380
Escondido Union School District	14,648,453	14,794,692	13,666,667	13,414,917	13,519,937
Fallbrook Union High School District	8,056,314	8,314,140	8,153,886	7,974,411	7,952,771
Grossmont Union High School District	37,306,244	38,260,334	36,226,604	35,724,830	35,927,641
National School District	2,594,294	2,777,544	2,627,190	2,593,237	2,592,732
Oceanside Unified School District	12,353,948	12,654,532	11,875,518	11,690,351	11,749,203
San Dieguito Union High School District	44,063,522	47,017,777	47,622,252	47,112,546	47,530,328
Vista Unified School District	13,401,631	13,647,217	12,846,868	12,623,121	12,690,753

Source: San Diego County Office of Education.

⁽¹⁾ Includes secured, utility and homeowner's exemption.

Property Tax Collections. The table below sets forth the tax levies, collections and percent of collections and levies for property taxes in each District for the last five Fiscal Years.

PROPERTY TAX COLLECTIONS
Fiscal Years 2007-08 through 2011-12

District; Fiscal Year	Total Tax Amount⁽¹⁾	Total Tax Amount Collected	Delinquent Tax Amount⁽²⁾	Delinquent Tax Amount as Percentage of Total Tax Amount
Borrego Springs Unified School District				
Fiscal Year 2011-12	\$2,091,367.40	1,997,990.63	93,376.77	4.5%
Fiscal Year 2010-11	2,202,517.38	2,175,076.87	27,440.51	1.2
Fiscal Year 2009-10	2,267,139.00	2,242,534.56	24,604.44	1.1
Fiscal Year 2008-09	2,230,783.22	2,218,905.09	11,878.13	0.5
Fiscal Year 2007-08	2,069,628.07	2,061,479.52	8,148.55	0.4
Cardiff School District				
Fiscal Year 2011-12	\$5,624,007.95	\$5,369,076.23	\$254,931.72	4.5%
Fiscal Year 2010-11	5,544,467.01	5,474,474.32	69,992.69	1.3
Fiscal Year 2009-10	5,523,541.95	5,462,863.98	60,677.97	1.1
Fiscal Year 2008-09	5,456,271.29	5,426,996.04	29,275.25	0.5
Fiscal Year 2007-08	5,102,570.09	5,083,821.51	18,748.58	0.4
Carlsbad Unified School District				
Fiscal Year 2011-12	\$61,050,011.75	\$58,318,066.41	\$2,731,945.34	4.5%
Fiscal Year 2010-11	61,500,004.48	60,733,021.60	766,982.88	1.2
Fiscal Year 2009-10	62,048,999.92	61,375,291.01	673,708.91	1.1
Fiscal Year 2008-09	64,677,505.44	64,211,622.17	465,883.27	0.7
Fiscal Year 2007-08	59,313,000.59	59,023,622.18	289,378.41	0.5
Chula Vista Elementary School District				
Fiscal Year 2011-12	\$72,487,538.99	\$69,208,117.07	\$3,279,421.92	4.5%
Fiscal Year 2010-11	72,725,370.44	72,085,313.69	640,056.75	0.9
Fiscal Year 2009-10	75,291,893.55	74,465,669.68	826,223.87	1.1
Fiscal Year 2008-09	85,244,638.85	84,622,965.19	621,673.66	0.7
Fiscal Year 2007-08	83,592,778.06	83,285,744.81	307,033.25	0.4
Encinitas Union School District				
Fiscal Year 2011-12	\$34,583,608.37	\$33,015,846.05	\$1,567,762.32	4.5%
Fiscal Year 2010-11	33,884,596.90	33,456,838.77	427,758.13	1.3
Fiscal Year 2009-10	33,895,288.14	33,522,879.93	372,408.21	1.1
Fiscal Year 2008-09	33,961,935.98	33,779,683.28	182,252.70	0.5
Fiscal Year 2007-08	32,486,511.03	32,367,208.98	119,302.05	0.4
Escondido Union School District				
Fiscal Year 2011-12	\$33,739,201.17	\$32,221,123.41	\$1,518,077.76	4.5%
Fiscal Year 2010-11	33,176,733.12	32,760,996.97	415,736.15	1.3
Fiscal Year 2009-10	33,632,924.66	33,265,987.54	366,937.12	1.1
Fiscal Year 2008-09	36,240,229.22	36,046,871.57	193,357.65	0.5
Fiscal Year 2007-08	36,164,107.13	36,027,404.66	136,702.47	0.4
Fallbrook Union High School District				
Fiscal Year 2011-12	\$16,263,728.62	\$15,854,777.51	\$408,951.11	2.5%
Fiscal Year 2010-11	13,041,222.67	12,926,934.96	114,287.71	0.9
Fiscal Year 2009-10	12,988,036.54	12,888,616.54	99,420.00	0.8
Fiscal Year 2008-09	13,009,747.95	12,962,363.01	47,384.94	0.4
Fiscal Year 2007-08	12,626,351.32	12,505,864.40	120,486.92	1.0

District; Fiscal Year	Total Tax Amount⁽¹⁾	Total Tax Amount Collected	Delinquent Tax Amount⁽²⁾	Delinquent Tax Amount as Percentage of Total Tax Amount
Grossmont Union High School District				
Fiscal Year 2011-12	\$80,330,647.65	\$76,715,570.06	\$3,615,077.59	4.5%
Fiscal Year 2010-11	79,806,289.83	78,805,860.77	1,000,429.06	1.3
Fiscal Year 2009-10	80,929,986.35	79,929,286.48	1,000,699.87	1.2
Fiscal Year 2008-09	85,624,331.55	85,033,517.07	590,814.48	0.7
Fiscal Year 2007-08	83,747,756.75	83,318,435.25	429,321.50	0.5
National School District				
Fiscal Year 2011-12	\$4,640,368.27	\$4,433,842.65	\$206,525.62	4.5%
Fiscal Year 2010-11	4,627,050.29	4,459,296.85	167,753.44	3.6
Fiscal Year 2009-10	4,550,043.20	4,500,975.21	49,067.99	1.1
Fiscal Year 2008-09	4,654,255.14	4,629,700.09	24,555.05	0.5
Fiscal Year 2007-08	4,303,564.03	4,286,354.07	17,209.96	0.4
Oceanside Unified School District				
Fiscal Year 2011-12	\$44,118,318.41	\$42,130,798.49	\$1,987,519.92	4.5%
Fiscal Year 2010-11	43,680,468.78	43,132,402.52	548,066.26	1.3
Fiscal Year 2009-10	44,342,530.98	43,857,976.99	484,553.99	1.1
Fiscal Year 2008-09	47,462,429.84	47,207,891.75	254,538.09	0.5
Fiscal Year 2007-08	46,894,347.96	46,718,988.89	175,359.07	0.4
San Dieguito Union High School District				
Fiscal Year 2011-12	\$80,868,046.46	\$77,197,218.60	\$3,670,827.86	4.5%
Fiscal Year 2010-11	80,119,083.15	79,105,196.45	1,013,886.70	1.3
Fiscal Year 2009-10	81,004,699.18	80,113,330.55	891,368.63	1.1
Fiscal Year 2008-09	80,039,779.33	79,609,649.14	430,130.19	0.5
Fiscal Year 2007-08	75,099,905.54	74,825,957.21	273,948.33	0.4
Vista Unified School District				
Fiscal Year 2011-12	\$53,032,088.37	\$50,636,026.32	\$2,396,062.05	4.5%
Fiscal Year 2010-11	52,541,940.03	51,880,752.70	661,187.33	1.3
Fiscal Year 2009-10	53,378,371.08	52,891,507.94	486,863.14	0.9
Fiscal Year 2008-09	56,799,632.71	56,495,488.84	304,143.87	0.5
Fiscal Year 2007-08	55,933,097.35	55,715,497.49	217,599.86	0.4

Source: San Diego County Office of Education.

⁽¹⁾ Total Tax Amount includes local secured and unsecured state unitary 1% tax, debt service tax and special assessments.

⁽²⁾ For informational purposes only. The County implemented the alternative method of apportionment commonly referred as the Teeter Plan in Fiscal Year 1993-94, pursuant to which the County advances to various taxing entities cash in an amount equal to the current year's delinquent property taxes and receives, in exchange, all penalty and interest revenues on such delinquent amounts. Delinquent Tax Amount represents the dollar value of tax due for delinquencies in the year shown that had not been collected as of June 30 of that year.

Largest Taxpayers. The following table sets forth the principal secured taxpayers in each District based on such District's 2011-12 assessed value.

**PRINCIPAL SECURED TAXPAYERS
Fiscal Year 2011-12**

Taxpayer	Nature of Business	2011-12 Assessed Value	Percentage of Total Assessed Value
Borrego Springs Unified School District			
1. Cameron Brothers Contruction CO	Real Estate	\$13,245,509	2.18%
2. Montesorus Rex LLC	Real Estate	11,323,380	1.86
3. Roadrunner Club LP	Real Estate	9,393,479	1.54
4. GHLA Montesoros Investors LLC	Real Estate	6,235,272	1.02
5. Borrego 36 LLC	Real Estate	5,462,193	0.90
Cardiff School District			
1. Collwood Pines Apartments LP	Real Estate	\$54,972,120	2.62%
2. Belmont Village Cardiff LP	Real Estate	29,255,866	1.39
3. Cardiff Town Center LLC	Real Estate	10,654,354	0.51
4. US Bank National Association	Bank	3,160,277	0.15
5. Time Warner NY Cable LLC	Media	2,586,229	0.12
Carlsbad Unified School District			
1. Aviara Resort Associates SPE LLC	Hotel & Resort	\$149,845,296	0.95%
2. Legoland California LLC	Theme Park	128,722,242	0.82
3. Cabrillo Power I, LLC	Electric Utility	127,700,000	0.81
4. Ruby's Diner CPG Carlsbad	Foods	114,617,062	0.73
5. LC Investment 2010 Inc	Hotel & Resort	104,504,009	0.66
Chula Vista Elementary School District			
1. Regulo Place Apartments Investor	Real Estate	\$213,755,618	0.91%
2. San Diego Expressway Limited Par	Toll Road	189,100,000	0.80
3. Rohr Inc	Manufacturing	178,125,514	0.76
4. GGP-Otay Ranch LP	Real Estate	176,655,960	0.75
5. Centermark Properties Inc DBA	Real Estate	129,536,153	0.55
Encinitas Union School District			
1. Continuing Life Communities LLC	Real Estate	\$230,236,508	1.68%
2. Fourth Quarter Properties XXX L	Shopping Center	85,057,929	0.62
3. Scripps Health	Health Care	76,443,047	0.56
4. Pacific Station Property LLC	Shopping Center	59,500,297	0.43
5. Santa Fe Ranch LLC	Real Estate	47,045,770	0.34
Escondido Union School District			
1. San Diego Gas & Electric Company	Utility	\$228,834,526	1.69%
2. North County Fair LLC and EWH	Shopping Center	172,453,589	1.28
3. Prebys Conrad Trust 12-17-82	Real Estate	63,968,627	0.47
4. Luna Properties LLC	Real Estate	54,517,207	0.40
5. Garrick Motors Inc	Automotive	35,522,080	0.26

Taxpayer	Nature of Business	2011-12 Assessed Value	Percentage of Total Assessed Value
Fallbrook Union High School District			
1. Camp Pendleton / Quantico Housing	Real Estate	\$485,549,145	6.11%
2. Orange Grove Energy, LP	Power Plant	70,454,000	0.89
3. De Luz Housing LLC	Real Estate	52,337,432	0.66
4. City of Riverside	Government	50,570,019	0.64
5. Spa Havens LP	Hotel & Resort	26,740,253	0.34
Grossmont Union High School District			
1. San Diego Family Housing LLC	Real Estate	\$243,259,502	0.68%
2. Parkway Plaza	Real Estate	202,196,366	0.56
3. Fairfield Grossmont Trolley LLC	Real Estate	154,485,335	0.43
4. Rainbow Investment Co	Real Estate	93,275,898	0.26
5. Vestar California XVII LLC	Real Estate	89,987,791	0.25
National School District			
1. PVHR LLC Adventist Health	Health Care	\$79,232,592	3.06%
2. Pasha Automotive Services	Automotive	35,533,469	1.37
3. MPT of Paradise Valley LP	Real Estate	29,416,894	1.13
4. Prime Healthcare Services Foundation	Health Care	21,912,097	0.85
5. Midtown 20 LLC	Real Estate	20,528,604	0.79
Oceanside Unified School District			
1. Genentech Inc	Biotechnology	\$507,004,901	4.32%
2. PK II El Camino North LP	Real Estate	113,112,401	0.96
3. Wyndham Vacation Resorts Inc	Hotel & Resort	101,098,010	0.86
4. Piazza Doro LLC	Apartments	70,846,962	0.60
5. W2005 MRD Realty LLC	Real Estate	63,000,000	0.54
San Diegoito Union High School District			
1. Kilroy Realty LP	Real Estate	\$539,315,925	1.13%
2. Irvine Co LLC	Real Estate	262,052,539	0.55
3. Continuing Life Communities LLC	Real Estate	230,236,508	0.48
4. Union Investment Real Estate	Real Estate	154,818,448	0.33
5. Grand Del Mar Resort LP	Hotel & Resort	111,075,876	0.23
Vista Unified School District			
1. Hillcrest Montecito LP and VL	Real Estate	\$70,005,927	0.55%
2. Acpre Monarch Vista Venture LP	Real Estate	69,000,000	0.54
3. Lakeridge Island Club Apts Partn	Real Estate	61,429,815	0.48
4. VIF II/Waterleaf LLC	Real Estate	57,991,601	0.46
5. I&G Direct Real Estate 8 LP	Industrial	42,159,037	0.33

Source: San Diego County Office of Education unless otherwise noted.

Financial Statements

The Districts' financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the Districts are categorized as follows:

Government Funds

General Funds
Special Revenue Funds
Debt Service Funds
Proprietary Funds
Internal Service Funds
Enterprise Funds

Fiduciary Funds

Trust and Agency Funds

Accounting Groups

General Long-Term Debt Amount

The General Fund of each District, as shown in Appendices B and C, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not otherwise financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown therein are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The summaries of the financial statements included herein were prepared by the Districts using information from the Annual Financial Reports which are prepared by the directors of accounting for the Districts and audited by independent certified public accountants each year. Certain information, such as the General Fund Cash Flow Analyses and projected Fiscal Year 2012-13 budgets, was developed by each District's staff for use in this Official Statement. The projected budgets and estimates and timing of receipts and disbursements in such Cash Flow Analyses are based on certain assumptions and should not be construed as statements of fact. The Districts' audited financial statements for the fiscal year ended June 30, 2011 are available from each District upon request to the respective District, and are summarized in this Appendix B under "Summary of Financial Information".

The summary general fund statements included in this Appendix B for the Districts do not purport to be complete and present only extracts from each respective District's financial statements.

Budgets of Districts

The Fiscal Year for all California school districts begins on the first day of July of each year and ends on the 30th day of June of the following year. On or before July 1 of each year, the governing board of each school district, including the Districts, is required to file an adopted budget with the County Superintendent of Schools. On or before August 15 of each year, the County Superintendent of Schools is required to examine and approve, conditionally approve or disapprove the adopted budget for each school district. If an adopted budget is disapproved, then on or before September 8 of such year, such school district and the County Superintendent of Schools must make certain revisions to the budget, adopt the revised budget, and file the revised budget with the County Superintendent of Schools.

If the revised budget of a school district is disapproved, the County Superintendent of Schools is empowered by law to oversee the management of such school district for that Fiscal Year, with the authority to monitor and review the operation of such district, to develop and adopt a fiscal plan and budget for such district, and to stay and rescind actions that are inconsistent with that budget.

The County school service fund (the "Service Fund") of the County Office of Education is employed by the County Superintendent of Schools to pay such charges against the Service Fund as are permitted by the California Education Code, including expenses of the County Superintendent of Schools and the County Board of Education. The County Superintendent of Schools must submit to the State Superintendent of Public Instruction (1) a tentative budget, on or before June 30 of each year, and (2) a final budget, on or before September 8 of each year (collectively, the "Service Fund Budget"), which

outlines anticipated revenues to and expenditures from the Service Fund for the succeeding Fiscal Year, including the anticipated revenues and expenditures of the County Office of Education of the County Superintendent of Schools. The Service Fund Budget is subject to review and approval by the County Board of Education. The County Board of Education must hold a public hearing on the proposed Service Fund Budget and, following such public hearing, the final Service Fund Budget must be adopted by the Board of Education before being filed with the Superintendent of Public Instruction. The final Service Fund Budget is subject to review and approval by the Superintendent of Public Instruction.

The California State Department of Education imposes a uniform budgeting format for each school district in the State. The Districts are required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. See “ - Recent State Budgets - Potential Impact of the 2012-13 Proposed State Budget and May Revision to the 2012-13 Proposed State Budget on the Districts” herein.

Fiscal Status Reports and Interim Certifications

The Education Code of the State of California (Section 42133 et seq.) requires each school district to report and certify two times during the Fiscal Year whether it is able to meet its financial obligations for the remainder of such Fiscal Year and, based on current forecasts, for the subsequent two Fiscal Years. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board’s assessment based on standards and criteria for fiscal stability adopted by the State Board of Education and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools within 45 days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. The County Superintendent of Schools must review each report and must approve or revise the certification if necessary. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the Fiscal Year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments. A qualified certification is to be assigned to any school district that may not meet its obligations for the current Fiscal Year or two subsequent Fiscal Years. Any school district that has a qualified or negative certification in any Fiscal Year may not issue, in that Fiscal Year or in the next fiscal succeeding year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the County Superintendent of Schools determines that the district’s repayment of indebtedness is probable.

Carlsbad Unified School District, Fallbrook Union High School District, Grossmont Union High School District, and National School District filed a qualified certification in connection with their respective Fiscal Year 2011-12 first interim financial report. Borrego Springs Unified School District, Carlsbad Unified School District, Fallbrook Union High School District, Grossmont Union High School District, and Vista Unified School District each filed a qualified certification in connection with its respective Fiscal Year 2011-12 second interim financial report. However, each such District expects to be able to meet its debt obligations in the current and next succeeding two fiscal years based upon budget revisions to be made in connection with future submissions of its financial reports. Except for the aforementioned Districts, each of the Districts have filed positive certifications with the County Superintendent of Schools for each Fiscal Year 2011-12 reporting period for which a certificate has been

filed and the County Superintendent of Schools has not made any qualified or negative determination with respect to any such certifications.

Copies of the reports and certifications of each of the Districts may be obtained upon request from the San Diego County Office of Education, Executive Director, District Financial Services, 6401 Linda Vista Road, San Diego, California 92111, telephone: 858-292-3537.

Insurance

Each District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverage for property damage, fire and theft, general public liability and worker's compensation with respect to its respective facilities, personnel and operations, as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, each District believes that the recorded liabilities for its self-insured claims are adequate.

Retirement

Each of the Districts participates in retirement plans with the California State Teachers' Retirement System ("CalSTRS"), which covers all full-time certificated District employees, and the California Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Historically, the Districts' contributions to CalSTRS have been made based on a fixed percentage of the payroll of covered employees. The State has paid all amounts owing to CalSTRS in any year that is in addition to the fixed contribution rate. As such, the Districts have not historically been responsible for any unfunded liability, and the Districts' contribution rate has not fluctuated year to year. Active CalSTRS plan members are required to contribute 8% of their salary, and the Districts are required to contribute at an actuarially determined rate, which was 8.25% of annual payroll for Fiscal Year 2011-12 and will be 8.25% of annual payroll for Fiscal Year 2012-13. The actuarial methods and assumptions used for determining the contribution rates are those adopted by the CalSTRS retirement board. The contribution requirements of the plan members are established by State statute.

The unfunded actuarial accrued liabilities and funded status of the CalSTRS pension fund as of June 30 of Fiscal Years June 30, 2007 through June 30, 2011 are set forth in the following table. The individual funding progress for the Districts are not provided in the actuarial report from CalSTRS.

Actuarial Value of California State Teachers' Retirement Fund Defined Benefit Program
Valuation Dates June 30, 2007 through June 30, 2011
(\$ in billions)

Valuation Date (June 30)	Accrued Liability	Actuarial Value of Assets⁽¹⁾	Unfunded Liability	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2007	\$167.129	\$146.419	\$20.710	89.0%	88.0%
2008	177.734	155.215	22.519	87.0	85.0
2009	185.683	145.142	40.541	78.0	58.0
2010	196.315	140.291	56.024	71.5	59.7
2011	208.405	143.930	64.475	69.1	67.2

⁽¹⁾ Actuarial Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account.

Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2006 through June 30, 2011.

The actuarial assumptions set forth in the California State Teachers' Retirement System Defined Benefit Program Actuarial Valuation as of June 30, 2011 (the "2011 CalSTRS Actuarial Valuation") use the "Entry Age Normal Cost Method" and, among other things, an assumed 7.50% investment rate of return, which reflects a decrease from the previously assumed investment rate of return of 7.75%, and 4.50% interest on accounts, which reflects a decrease from the previously assumed interest on accounts of 6.00%, projected 3.00% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. In addition, the Teacher's Retirement Board changed the mortality assumption to reflect the fact that members are living longer and lowered the assumption of wage growth to 3.75% from 4.00%. The actuarial assumptions and methods used in the 2011 CalSTRS Actuarial Valuation were based on the Experience Analysis July 1, 2006 – June 30, 2010 adopted by the Teacher's Retirement Board in February 2012 (the "CalSTRS Experience Analysis"). The amounts of CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, and actual rates of return on investment, salary scales and levels of contribution.

The CalSTRS Experience Analysis projects that bringing CalSTRS to full funding would require a payroll contribution of 16.23% of projected expenditures. However, the 2011 CalSTRS Actuarial Valuation projected that full funding would require an increase in employer rates to 13% of projected expenditures. The 2011 CalSTRS Actuarial Valuation projects that, absent any changes in contribution rates or liabilities, the fund will deplete its assets in approximately 30 years. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. Employees and the District contribute 8.00% and 8.25%, respectively, of gross salary expenditures to CalSTRS. The Districts have not received any notice from CalSTRS of any plans CalSTRS has to change the rates currently in effect or of any proposed changes in the State law with respect to the contribution rates.

The market value of the CalSTRS pension fund as of June 30, 2010 and June 30, 2011 was \$129.8 billion and \$147.1 billion, respectively. CalSTRS produces a comprehensive annual financial report which includes financial statements and required supplementary information. Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

From time to time, proposals have been suggested that would modify the Districts' obligations to make contributions to CalSTRS closely parallel the full cost of the retirement benefits provided by

CalSTRS, which proposals would include components for unfunded liability. If these proposals were adopted, the Districts' annual obligations to CalSTRS may substantially increase.

CalPERS. All qualifying classified employees of K through 12 school districts and community college districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participation in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability.

Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The Districts' respective contributions to CalPERS are capped at 13.02% of gross salary expenditures. If a District's contribution rate to CalPERS is less than 13.02% of gross salary expenditures for a given year, the State will reduce such District's revenue limit for that year by the amount of the difference between the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures and the District's actual contribution. Moreover, if the required contribution rate is greater than 13.02% for a given year, then the State will provide revenue limit allocations to the District for that year by the amount of the difference between the District's actual contribution to CalPERS and the District's contribution calculated based on a contribution rate of 13.02% of gross salary expenditures. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make to CalPERS. Accordingly, there can be no assurances that the District's required contributions to CalPERS will not significantly increase in the future above current levels.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS. The required employer contribution rates for the Fiscal Year 2011-12 are 10.923% for miscellaneous members and 34.056% for safety members.

CalPERS is operated on a Statewide basis and, based on publicly available information, has unfunded liabilities. The amounts of the pension/award benefit obligation or unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution.

Unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to the system-wide unfunded liability resulting from recent benefit enhancements. As indicated above, there is presently no required contribution from teachers, school districts or the State to fund this unfunded liability. Historically, the school district employer contribution rate has remained at 8.25%. However, the District is unable to predict what the amount of liabilities will be in the future or the amount of contributions which the District may be required to make.

The unfunded actuarial accrued liabilities and funded status of CalPERS as of June 30 of Fiscal Years June 30, 2006 through June 30, 2010 are set forth in the following table.

Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2006 through June 30, 2010
(\$ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Contribution	Unfunded/ (Surplus) as a % of Payroll
2006	\$41,408.65	\$40,852.35	98.7%	\$ 556.31	\$ 9,880.89	5.60%
2007	44,810.07	48,292.93	107.8	(3,482.86)	10,249.83	(34.00)
2008	48,537.68	45,547.90	93.8	2,989.78	11,137.70	26.80
2009	52,493.08	34,146.45	65.0	18,346.63	11,109.76	165.10
2010	55,306.96	38,435.17	69.5	16,871.79	11,283.40	149.50

Sources: CalPERS State & Schools Actuarial Valuations as of June 30, 2006 through June 30, 2010.

In December 2009, the CalPERS Board of Administration adopted changes to the asset smoothing method in order to phase in over a three year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. Under the new methodology, which is not mandatory for employers, investment gains and losses will be tracked and the net unamortized gain or loss will be amortized and paid off over a fixed and declining 30-year period instead of the current, rolling 30-year amortization period, with the exception of gains and losses in Fiscal Years 2008-09, 2009-10, and 2010-11. For Fiscal Years 2008-09, 2009-10, and 2010-11, such fiscal year's gains or losses will be isolated and amortized over fixed and declining 30-year periods. In addition, CalPERS has adopted a policy such that if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability of such plan may not be less than the amount produced by a 30-year amortization of the unfunded liability. Further, all CalPERS plans will be subject to a minimum employer contribution rate equal to the employer normal cost plus a 30-year amortization of surplus, if any.

The actuarial funding method used in the CalPERS State & Schools Actuarial Valuation as of June 30, 2010 is the "Individual Entry Age Normal Cost Method". The CalPERS State & Schools Actuarial Valuation as of June 30, 2010 assumes, among other things, a 7.75% investment rate of return, projected salary increases of 3.45% to 11.05%, projected 3.00% inflation and projected 2.00% or 3.00% post-retirement benefit increases. In March 2012, the CalPERS Board of Administration voted to reduce the actuarial assumed rate of return/discount rate to 7.50% from 7.75%. In connection therewith, State and schools employer contributions will increase by 1.2% to 1.6% for Miscellaneous plans and will increase by 2.2% to 2.4% for Safety plans beginning Fiscal Year 2012-13. CalPERS estimates that these modifications will increase expenditures by participating school districts. The District is evaluating the impact of the aforementioned rate increase upon its finances. The District has paid all required contributions in prior fiscal years and expects to continue to do so.

The market value of the CalPERS pension fund as of June 30, 2009 and June 30, 2010 was \$177.0 billion and \$200.5 billion, respectively. CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

Supplemental Retirement Programs. Certain Districts participate in supplemental retirement programs for employees not currently covered by CalSTRS or CalPERS. Carlsbad Unified School District and Fallbrook Union High School District provide a pre-tax retirement program known as the “3121 Plan/Social Security Alternative” through the Fringe Benefits Consortium (the “FBC”) to permanent part-time employees and temporary or substitute workers. Chula Vista Elementary School District, National School District and Vista Unified School District offer benefits through Public Agency Retirement Services (“PARS”) to employees who are not members of CalSTRS or CalPERS. In Fiscal Year 2010-11, Cardiff School District offered to teachers an early retirement incentive in the aggregate amount of \$10,000, which is being paid to participants over two years.

Post-Retirement Health Care. In addition to employee health care costs, many of the Districts provide post-employment health care benefits in accordance with collective bargaining agreements. Some of these arrangements place limits on these benefits, such as an aggregate limit on the respective District’s costs or a termination of the health care benefits upon the retiree reaching age 65. Most Districts providing post-employment health care benefits do so on a pay-as-you-go basis, paying an amount in each Fiscal Year equal to the benefits distributed or disbursed in that Fiscal Year. Chula Vista Elementary School District has established a California Employers’ Retiree Benefit Trust to prefund certain of its OPEB liabilities.

On June 21, 2004, the Governmental Accounting Standards Board (“GASB”) released its Governmental Accounting Standards Board Statement No. 45 (“Statement No. 45”), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for measuring, recognizing and disclosing post-employment healthcare as well as other forms of post-employment benefits, such as life insurance, when provided separately from a pension plan expense or expenditures and related liabilities in the financial reports of state and local governments (such other post-employment benefits are referred to herein as “OPEB”). Under Statement No. 45, governments will be required to: (i) measure the cost of benefits, and recognize other post-employment benefits expense, on the accrual basis of accounting in periods that approximate employees’ years of service; (ii) provide information about the actuarial liabilities for promised benefits associated with past services and whether, or to what extent, those benefits have been funded; and (iii) provide information useful in assessing potential demands on the employer’s future cash flows. The Districts’ post-employment health benefits fall under Statement No. 45.

The core requirement of Statement No. 45 is that at least biennially an actuarial analysis must be prepared with respect to projected benefits (“Plan Liabilities”); against this would be measured the actuarially determined value of the related assets (the “Plan Assets”). To the extent that Plan Liabilities exceeded Plan Assets, then similar to the actuarial and accounting practices for pension plan liabilities, the difference would be amortized over a period which could be up to 30 years. The method of financial reporting for OPEB costs would be similar to financial reporting for pension plan normal costs and unfunded actuarial accrued liability. The requirements that Statement No. 45 impose on the Districts only affect the Districts’ financial statements and would not impose any requirements regarding the funding of any OPEB plans.

The Districts that provide post-employment health care benefits have determined their accrued actuarial liability for OPEB, which represents the costs and obligations incurred as a consequence of receiving services of current employees and retirees, for which benefits are owed in exchange. The following table sets forth each District’s accrued actuarial liability for OPEB and the unfunded portion thereof.

OTHER POST-EMPLOYMENT BENEFITS LIABILITY

District	As of Date of Valuation	Accrued Actuarial Liability	Unfunded Accrued Actuarial Liability
Borrego Springs Unified School District	July 1, 2009	\$ 1,053,340	\$ 1,053,340
Cardiff School District	July 1, 2009	401,395	401,395
Carlsbad Unified School District	July 1, 2010	21,311,881	21,311,881
Chula Vista Elementary School District	July 1, 2011	18,775,161	14,118,846
Encinitas Union School District	July 1, 2011	7,894,113	7,894,113
Escondido Union School District	July 1, 2010	14,558,862	14,558,862
Fallbrook Union High School District	June 30, 2010	8,660,004	8,660,004
Grossmont Union High School District	July 1, 2010	41,682,691	41,682,691
National School District	January 1, 2010	9,493,550	9,493,550
Oceanside Unified School District	May 1, 2011	8,100,356	8,100,356
San Dieguito Union High School District	July 1, 2011	15,210,567	15,210,567
Vista Unified School District	January 1, 2011	39,767,365	39,767,365

Source: The Districts, respectively.

Temporary Transfers and Use of One-Time Revenues

Temporary Transfer. National School District and Oceanside Unified School District have received temporary transfers of funds from the Treasurer-Tax Collector of the County (each, a “Temporary Transfer” and collectively, the “Temporary Transfers”; such transfer is also referred to as a Treasurer’s Loan from time to time) for Fiscal Year 2011-12. A Temporary Transfer must be repaid from the Treasury Pool participant’s first revenues received thereafter before any other obligation and thus, in the case of the aforementioned Districts, would have a priority over such Districts’ general fund debt obligations. The Temporary Transfers for National School District and Oceanside Unified School District are scheduled to be repaid in July 2012. Each District may require the County to provide such District with a Temporary Transfer even after the Note Participations are issued, to the extent that there are revenues available therefor. See APPENDIX A – “COUNTY OF SAN DIEGO FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – County Financial Information – Temporary Transfers” for a description of Temporary Transfers.

Use of One-Time Revenues. Certain Districts have used in Fiscal Year 2011-12 and/or will use in Fiscal Year 2012-13 one-time revenues on on-going expenditures. Carlsbad Unified School District has used general fund excess reserve amounts to mitigate cuts in Fiscal Year 2011-12 and may continue to use such amounts in Fiscal Year 2012-13. Escondido Union School District is utilizing approximately \$2.2 million in one-time funding from the federal Education Jobs and Medicaid Assistance Act of 2010 (the “2010 Jobs Act”) to help maintain the District’s class-size reduction program and maintain class sizes at 25 to 1 pupil to student ratio for Fiscal Year 2011-12. The District expects that the costs of the class-size reduction program will be allocated to the District’s General Fund and reserves of the District will be used to fund certain expenses in Fiscal Year 2012-13. Fallbrook Union High School District plans to use remaining amounts from the 2010 Jobs Act in Fiscal Year 2011-12 on certificated salaries. The multi-year projection for this District also reflect use of unrestricted general fund amounts to fund deficits in Fiscal Years 2012-13 and 2013-14. Grossmont Union High School District will use \$3.1 million in one-time revenues from funded mandates in Fiscal Year 2011-12. Oceanside Unified School District and Vista Unified School District used funds received in Fiscal Year 2010-11 from the 2010 Jobs Act in Fiscal Year 2011-12 to minimize layoffs. In addition, San Dieguito Union High School District will use funds received in Fiscal Year 2010-11 from the 2010 Jobs Act in Fiscal Year 2011-12 to offset reduced Basic Aid revenues. Ongoing expenses paid by 2010 Jobs Act moneys will be transferred to the District’s unrestricted general fund, reduced or eliminated.

Continuing Disclosure

Pursuant to the respective Trust Agreements, the School Districts have agreed to give, or cause to be given, to the Municipal Securities Rulemaking Board, notice of the occurrence of certain listed events in accordance with Rule 15c2-12(b)(5) (the “Rule”) promulgated by the Securities and Exchange Commission. See “Continuing Disclosure” in the forepart of this Official Statement. Except as set forth below, the School Districts have complied with its undertakings pursuant to the Rule.

Cardiff School District had not filed annual reports, including audited financial statements, for Fiscal Years 2003-04 through 2007-08 in accordance with the continuing disclosure certificate executed in connection with general obligation bonds issued in 2000. Each required annual report and audited financial statement was subsequently filed.

Carlsbad Unified School District had not filed, prior to 2009, an event notice in connection with the downgrade of one issue of insured general obligation bonds. Such notice was subsequently filed.

Encinitas Union School District had not filed, prior to 2010, an event notice in connection with downgrades of insured general obligation bonds issued in 1996. Such notice was subsequently filed.

Escondido Union School District did not timely file its annual reports, including audited financial statements, for Fiscal Years 2006-07 through 2010-11. Each annual report and audited financial statement was subsequently filed. The District has retained the services of a continuing disclosure firm to assist with filings.

Fallbrook Union High School District had not filed, prior to 2010, an event notice in connection with downgrades of one series of insured general obligation bonds issued in 1998. In 2011 and 2012, the District did not timely file its annual report, including audited financial statement, for Fiscal Years 2009-10 and 2010-11. The material event notice was subsequently filed. The District subsequently filed its annual reports and audited financial statements for Fiscal Years 2009-10 and 2010-11 through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

Grossmont Union High School District had not filed, prior to 2010, an event notice in connection with downgrades of three series of insured general obligation bonds issued in 2004, 2006 and 2008, respectively, and the upgrade of one series of general obligation bonds issued 2009. In addition, the District did not timely file its annual report, including audited financial statement, for Fiscal Year 2010-11. Such annual report, audited financial statement and notices were subsequently filed.

Vista Unified School District did not timely file its audited financial statements for Fiscal Years 2006-07 through 2010-11. The audited financial statements were subsequently filed. The District is in the process of filing certain of the audited financial statements through the EMMA system.

Litigation

Pending lawsuits and other claims against the Districts are incidental to the ordinary course of operations of the Districts and are largely covered by the Districts’ self-insurance programs. There are no claims or lawsuits (with any potential loss exceeding \$2,000,000) pending against any of the Districts.

SUMMARY OF FINANCIAL INFORMATION

The following tables provide a summary of certain financial information of the Districts.

	Borrego Springs Unified School District				Cardiff School District			
	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited ¹	6/30/12 Budgeted	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited	6/30/12 Budgeted
INCOME STATEMENT								
Total Revenues	6,046,737	6,000,208	5,510,716	5,464,294	7,516,404	7,369,351	7,210,888	7,177,649
Total Expenditures	5,817,272	6,181,111	6,694,467	5,950,713	7,211,115	6,940,768	6,838,298	7,042,938
Total Other Financing Sources	(22,658)	39,215	312,949	420,000	(40,000)	(43,865)	(60,459)	(60,535)
Net Income	206,807	(141,688)	(870,802)	(66,419)	265,289	384,718	312,131	74,176
Beginning Fund Balance	1,018,596	1,225,403	1,165,570	560,083	778,567	1,043,856	1,428,575	1,428,575
Adjustments + Transfers	0	81,855	265,315	(211,763)	0	0	1,107	0
Ending Fund Balance	1,225,403	1,165,570	560,083	281,901	1,043,856	1,428,575	1,741,813	1,502,751
BALANCE SHEET								
Total Assets	1,368,416	1,367,472	1,447,211		1,251,304	1,640,513	1,948,682	
Total Liabilities	143,013	201,902	917,128		207,448	211,938	206,869	
Total Fund Equity	1,225,403	1,165,570	560,083		1,043,856	1,428,575	1,741,813	
Total Liabilities and Fund Equity	1,368,416	1,367,472	1,477,211		1,251,304	1,640,513	1,948,682	

	Carlsbad Unified School District				Chula Vista Elementary School District			
	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited	6/30/12 Budgeted	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited	6/30/12 Budgeted
INCOME STATEMENT								
Total Revenues	87,826,266	84,111,508	80,181,955	73,480,932	189,650,276	178,487,637	190,465,752	184,499,017
Total Expenditures	82,624,219	83,371,514	84,219,552	81,310,411	188,428,389	192,113,073	178,699,697	191,853,590
Total Other Financing Sources	(1,271,443)	(2,489,339)	2,372,394	400,314	5,422,638	4,232,595	(140,000)	0
Net Income	3,930,604	(1,749,345)	(1,665,203)	(7,429,165)	6,644,525	(9,392,841)	11,626,055	(7,354,573)
Beginning Fund Balance	13,011,026	16,941,630	16,712,892	15,047,689	31,123,169	37,767,694	42,142,322	43,768,377
Adjustments + Transfers	0	1,520,607	0	0	0	3,767,469	0	0
Ending Fund Balance	16,941,630	16,712,892	15,047,689	7,618,524	37,767,694	32,142,322	53,768,377	36,413,804
BALANCE SHEET								
Total Assets	19,976,629	19,418,604	17,100,247		50,284,433	39,720,134	50,934,716	
Total Liabilities	3,034,999	2,705,712	2,052,558		12,516,739	7,577,812	7,166,339	
Total Fund Equity	16,941,630	16,712,892	15,047,689		37,767,694	32,142,322	43,768,377	
Total Liabilities and Fund Equity	19,976,629	19,418,604	17,100,247		50,284,433	39,720,134	50,934,716	

¹ The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2012 does not reflect the implementation of GASB 54.

	Encinitas Union School District				Escondido Union School District			
	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited ¹	6/30/12 Budgeted	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited ¹	6/30/12 Budgeted
INCOME STATEMENT								
Total Revenues	48,727,590	46,982,662	47,987,333	44,088,016	150,712,035	133,838,400	140,553,305	135,842,417
Total Expenditures	48,519,897	47,919,341	47,815,887	49,273,822	145,260,905	142,553,978	146,260,790	136,815,929
Total Other Financing Sources	(656,840)	212,099	0	3,688,107	(1,986,449)	(1,311,571)	14,173,259	3,973,743
Net Income	(449,147)	(724,580)	171,446	(1,497,699)	3,464,681	(10,027,149)	8,465,774	3,000,231
Beginning Fund Balance	8,311,608	7,862,461	7,137,881	14,562,554	31,116,280	34,580,961	27,492,949	38,281,811
Adjustments + Transfers	0	0	7,253,227	(7,503,785)	0	2,939,137	2,323,088	(2,338,259)
Ending Fund Balance	7,862,461	7,137,881	14,562,554	5,561,070	34,580,961	27,492,949	38,281,811	38,943,783
BALANCE SHEET								
Total Assets	9,687,849	9,757,632	15,845,368		41,155,954	33,460,825	44,792,856	
Total Liabilities	1,825,388	2,619,751	1,282,814		6,574,993	5,967,876	6,511,045	
Total Fund Equity	7,862,461	7,137,881	14,562,554		34,580,961	27,492,949	38,281,811	
Total Liabilities and Fund Equity	9,687,849	9,757,632	15,845,368		41,155,954	33,460,825	44,792,856	

	Fallbrook Union High School District				Grossmont Union High School District			
	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited ¹	6/30/12 Budgeted	6/30/09 Audited	6/30/10 Audited	6/30/11 Audited ¹	6/30/12 Budgeted
INCOME STATEMENT								
Total Revenues	29,275,299	26,758,310	27,526,286	26,448,285	191,609,359	180,710,586	204,052,793	177,386,237
Total Expenditures	27,765,584	28,178,982	27,330,641	27,744,652	188,071,249	185,844,642	187,622,248	183,911,818
Total Other Financing Sources	(394,717)	368,164	0	958,681	6,505,210	(4,810,716)	(7,971,896)	768,166
Net Income	1,114,998	(1,052,508)	195,645	(337,686)	10,043,320	(9,944,772)	8,458,649	(5,757,415)
Beginning Fund Balance	2,675,035	3,790,033	2,737,525	4,743,318	22,627,455	32,670,775	22,726,003	36,293,749
Adjustments + Transfers	0	0	1,810,148	(1,168,195)	0	0	5,109,097	(3,134,672)
Ending Fund Balance	3,790,033	2,737,525	4,743,318	3,237,437	32,670,775	22,726,003	36,293,749	27,401,662
BALANCE SHEET								
Total Assets	4,467,293	3,362,302	5,602,979		41,694,465	33,805,256	48,874,753	
Total Liabilities	677,260	624,777	859,661		9,023,690	11,079,253	12,581,004	
Total Fund Equity	3,790,033	2,737,525	4,743,318		32,670,775	22,726,003	36,293,749	
Total Liabilities and Fund Equity	4,467,293	3,362,302	5,602,979		41,694,465	33,805,256	48,874,753	

¹ The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2012 does not reflect the implementation of GASB 54.

	National School District				Oceanside Unified School District			
	6/30/09	6/30/10	6/30/11	6/30/12	6/30/09	6/30/10	6/30/11	6/30/12
	Audited	Audited	Audited	Budgeted	Audited	Audited	Audited ¹	Budgeted
INCOME STATEMENT								
Total Revenues	51,258,344	46,333,915	48,140,475	48,278,788	177,033,919	157,233,669	164,354,439	163,155,379
Total Expenditures	48,860,642	46,913,440	47,612,215	52,460,345	171,763,345	166,890,105	156,889,786	164,318,160
Total Other Financing Sources	(270,000)	(285,000)	(285,000)	(400,000)	(927,706)	(40,279)	(13,572)	(30,000)
Net Income	2,127,702	(864,525)	243,260	(4,581,557)	4,342,868	(9,696,715)	7,451,081	(1,192,781)
Beginning Fund Balance	9,495,380	11,623,082	11,399,673	11,642,932	20,357,730	24,700,598	15,003,833	25,534,846
Adjustments + Transfers	0	641,116	(1)	0	0	0	3,079,882	(2,596,536)
Ending Fund Balance	11,623,082	11,399,673	11,642,932	7,061,375	24,700,598	15,003,883	25,534,796	21,745,529
BALANCE SHEET								
Total Assets	13,476,411	13,185,988	14,305,217		33,631,854	33,892,445	15,003,883	
Total Liabilities	1,853,329	1,786,315	2,662,285		8,931,256	18,888,562	11,301,786	
Total Fund Equity	11,623,082	11,399,673	11,642,932		24,700,598	15,003,883	25,534,846	
Total Liabilities and Fund Equity	13,476,411	13,185,988	14,305,217		33,631,854	33,892,445	36,836,632	

	San Dieguito Union High School District				Vista Unified School District			
	6/30/09	6/30/10	6/30/11	6/30/12	6/30/09	6/30/10	6/30/11	6/30/12
	Audited	Audited	Audited ¹	Budgeted	Audited	Audited	Audited ¹	Budgeted
INCOME STATEMENT								
Total Revenues	105,980,190	97,572,145	98,349,308	98,004,284	201,331,284	187,581,883	185,499,460	188,133,222
Total Expenditures	101,693,443	99,753,940	99,866,478	102,382,123	197,208,773	193,701,024	178,057,552	202,542,337
Total Other Financing Sources	(43,465)	(13,275)	317,189	(44,600)	8,340,735	(7,447,603)	272,797	1,092,220
Net Income	4,243,282	(2,195,070)	(1,199,981)	(4,422,439)	12,463,246	(13,566,744)	7,714,705	(13,316,895)
Beginning Fund Balance	12,476,076	16,719,358	16,527,171	17,737,928	31,324,919	43,788,165	34,927,756	44,528,936
Adjustments + Transfers	0	2,002,883	2,410,738	(2,426,742)	0	4,706,335	1,886,475	(1,649,000)
Ending Fund Balance	16,719,358	16,527,171	17,737,928	10,888,747	43,788,165	34,927,756	44,528,936	29,563,041
BALANCE SHEET								
Total Assets	25,705,117	20,452,328	20,604,904		53,512,957	48,249,653	58,934,330	
Total Liabilities	8,985,759	3,925,157	2,866,976		9,724,792	13,321,897	14,405,394	
Total Fund Equity	16,719,358	16,527,171	17,737,928		43,788,165	34,927,756	44,528,936	
Total Liabilities and Fund Equity	25,705,117	20,452,328	20,604,904		53,512,957	48,249,653	58,934,330	

¹ The District implemented *Government Accounting Standard Board Statement No. 54, Fund Balance Reporting and Government Type Definitions* ("GASB 54") during the fiscal year ending June 30, 2011, the effect of which was to reclassify and restate certain other funds as General Fund activities. However, the District's General Fund budget for the fiscal year ending June 30, 2012 does not reflect the implementation of GASB 54.

APPENDIX C

CASH FLOW PROJECTIONS OF THE DISTRICTS

The cash flow projections on the following pages represent the current best estimate of each District based on information available as of the date of the projections. As a result of the uncertainties associated with the State budgeting process, these projections are subject to change and may vary considerably from actual cash flows experienced by each District.

Following guidance from the San Diego County Office of Education, each District made the following assumptions in its cash flows:

- State funding based on the May Revision to the Fiscal Year 2011-12 Proposed State Budget, with the further assumption that the Governor's Revised 2012 Tax Initiative will fail and the trigger cuts will be implemented in full.
- Deferrals of State funding as provided under Assembly Bill 103 as well as the State Department of Finance Cash Management Plan.
- Expenditure reductions which require concessions from the District's bargaining units are not included in the projections.

SERIES B-1 PARTICIPANTS

Borrego Springs Unified School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	281,451	63,861	51,546	501,968	106,725	375,083	716,651	1,089,156	634,340	336,661	513,671	352,369	281,451
Receipts													
State Aid Apportionment	-	-	339,903	-	-	-	616,366	18,036	-	89,001	30,612	-	1,093,918
Property Taxes	4,370	27,653	20,666	21,474	76,247	581,219	121,935	28,055	53,101	446,554	197,065	64,297	1,642,635
Other Revenue Limit Sources	-	-	4,309	7,062	-	-	9,511	-	-	2,682	2,682	5,939	32,185
Federal	-	-	50,710	-	351,340	2,408	59,363	3,308	72,014	-	-	94,688	633,831
Other State	-	16,043	125,371	63,186	55,789	79,232	141,601	66,868	17,597	111,261	71,286	48,043	796,276
Other Local	1,182	16,417	72,456	1,695	52,677	122,756	68,379	63,369	32,983	41,660	20,025	6,951	500,550
Transfers In	-	-	-	-	-	-	-	-	-	-	-	450,000	450,000
Deferrals - Principal Apportionment	213,438	195,755	113,608	-	-	-	-	-	-	-	-	-	522,801
Deferrals - Other State Revenues	8,043	58,316	-	-	-	-	-	-	-	-	-	-	66,359
Other Prior Year Receivables	(220,645)	(254,071)	601,391	13,741	21,963	11,342	595	-	-	-	-	-	174,316
Temporary Loans	-	-	300,000	100,000	(35,466)	-	(66,482)	(48,518)	99,365	-	-	(185,000)	163,900
Other Cash Inflows	295,355	315,373	(645,172)	40,741	(6,415)	118	-	502	(267)	-	-	-	235
TRANS Related Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	301,744	375,486	983,240	247,898	516,135	797,074	951,269	131,619	274,793	691,158	321,671	484,919	6,077,005
Disbursements													
Salaries & Benefits	209,417	275,104	434,239	458,692	449,079	464,650	456,570	484,444	436,197	424,035	426,763	539,667	5,058,857
Commercial Warrant Exp	53,555	185,660	44,218	157,358	109,592	33,032	109,115	106,332	107,456	77,946	44,043	212,692	1,240,998
Transfers Out	-	-	-	-	-	-	-	-	99,365	12,167	12,167	22,301	146,000
Prior Year Payables	227,376	(65,796)	70,101	38,128	0	256	(0)	0	(66,925)	-	-	-	203,140
Other Cash Outflows	28,984	(7,166)	(15,740)	(11,038)	(310,893)	(42,433)	13,079	(4,341)	(3,621)	-	-	-	(353,168)
TRANS Related Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	519,333	387,801	532,818	643,141	247,778	455,505	578,764	586,435	572,472	514,148	482,973	774,659	6,295,828
Ending Cash Balance	63,861	51,546	501,968	106,725	375,083	716,651	1,089,156	634,340	336,661	513,671	352,369	62,628	62,628

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	62,628	407,193	491,526	628,499	325,977	47,433	248,174	231,371	332,174	115,195	375,562	221,131	62,628
Receipts													
State Aid Apportionment	(26,796)	100,873	360,075	108,430	(8,316)	(48,510)	390,806	17,094	17,094	115,398	28,192	-	1,054,341
Property Taxes	1,715	5,150	(75)	10,894	37,210	560,625	227,017	13,658	52,525	440,791	191,282	106,175	1,646,966
Other Revenue Limit Sources	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,803	45,603
Federal	-	-	-	-	-	138,747	-	39,302	138,747	-	-	158,398	475,193
Other State	12,529	39,214	131,390	26,466	47,879	75,953	131,849	77,837	35,160	82,884	62,331	39,259	762,752
Other Local	10,321	26,195	68,120	52,226	103,422	10,321	64,886	34,372	42,821	16,282	14,328	10,925	454,219
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	429,551	264,365	938	-	-	-	-	-	-	-	-	-	694,853
Deferrals - Other State Revenues	68,978	-	-	-	-	-	-	-	-	-	-	-	68,978
Other Prior Year Receivables	(12,786)	15,401	6,280	17,281	6,280	6,280	-	-	-	-	-	-	38,377
Temporary Loans	(200,000)	-	-	-	50,000	(50,000)	-	444,285	(67,224)	94,154	-	300,000	571,215
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	320,000	-	-	-	-	-	-	-	-	-	-	-	320,000
Total Receipts	607,313	454,998	570,528	219,097	240,274	697,217	818,358	630,348	222,923	753,310	299,934	618,559	6,132,858
Disbursements													
Salaries & Benefits	192,186	227,819	352,382	384,076	391,986	369,385	407,226	369,064	341,391	388,298	391,644	501,113	4,316,570
Commercial Warrant Exp	29,654	133,313	71,639	128,009	117,299	108,024	98,401	150,947	88,977	95,111	53,188	258,957	1,333,520
Transfers Out	9,534	9,534	9,534	9,534	9,534	19,067	9,534	9,534	9,534	9,534	9,534	9,534	123,936
Prior Year Payables	31,373	-	-	-	-	-	-	-	-	-	-	-	31,373
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	320,000	-	-	-	-	-	320,000
Total Disbursements	262,747	370,666	433,555	521,618	518,818	496,476	835,161	529,544	439,902	492,943	454,365	769,603	6,125,399
Ending Cash Balance	407,193	491,526	628,499	325,977	47,433	248,174	231,371	332,174	115,195	375,562	221,131	70,087	70,087

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Special Reserve for Non-Capital Outlay	211,762	50,000
Trust and Agency	Foundation Special Revenue	29,120	20,000
Capital Projects	Capital Facilities	38,810	40,000
Capital Projects	Special Reserve for Capital Outlay	302,859	55,635
Trust and Agency	Foundation Permanent	304,959	300,000
Total		887,510	465,635

* Represents the maturity date

Cardiff Elementary School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	1,473,828	1,611,838	1,199,379	856,818	321,255	175,539	1,585,593	1,568,362	1,381,555	1,103,917	2,139,767	2,088,341	1,473,828
Receipts													
State Aid Apportionment	-	-	713	-	-	-	1,294	195	-	965	331	-	3,498
Property Taxes	8,645	62,889	48,108	54,649	193,301	1,923,925	733,723	75,757	142,434	1,558,182	527,963	120,486	5,450,063
Other Revenue Limit Sources	-	-	(106)	-	-	-	5,705	-	-	1,882	1,882	1,882	11,245
Federal	-	99,479	928	1,575	15	-	72,478	20,134	131,662	-	-	14,282	340,553
Other State	(7,751)	(191,389)	112,544	36,380	32,318	26,961	66,389	92,191	3,690	88,376	20,586	24,432	304,726
Other Local	17,329	7,345	47,649	12,055	164,182	32,586	93,308	172,281	34,207	21,150	5,476	-	607,566
Transfers In	-	-	-	-	-	-	(25,506)	25,506	-	-	-	-	-
Deferrals - Principal Apportionment	25,889	38,534	22,363	-	-	-	-	-	-	-	-	-	86,786
Deferrals - Other State Revenues	7,751	199,045	-	-	-	-	-	-	-	-	-	-	206,796
Other Prior Year Receivables	30,966	23,079	10,272	30,227	27,829	2,914	3,802	-	872	-	-	-	129,961
Temporary Loans	(7,495)	(30,942)	(10,000)	-	12,807	-	-	-	15,000	-	-	10,000	(10,630)
Other Cash Inflows	(0)	(26,093)	27,685	(1,592)	1,100	940	(2,040)	880	(600)	-	-	-	280
TRANS Related Receipts	295,798	-	-	-	-	-	-	-	-	-	-	-	295,798
Total Receipts	371,131	181,947	260,155	133,294	431,552	1,987,326	949,153	386,943	327,265	1,670,555	556,238	171,082	7,426,643
Disbursements													
Salaries & Benefits	121,693	424,639	533,335	533,268	526,513	524,077	535,185	528,049	535,359	531,637	539,410	556,619	5,889,784
Commercial Warrant Exp	29,889	106,746	88,031	116,857	57,091	59,858	72,229	52,204	65,384	92,842	58,028	176,680	975,840
Transfers Out	2,346	-	-	-	-	-	37,088	-	11,721	10,226	10,226	51,101	122,708
Prior Year Payables	88,144	14	73	(177)	(207)	293	(123)	(63)	191	-	-	-	88,144
Other Cash Outflows	(8,951)	63,007	(18,723)	18,909	(6,128)	(6,957)	13,448	(6,440)	(7,752)	-	-	-	40,413
TRANS Related Disbursements	-	-	-	-	-	-	308,558	-	-	-	-	-	308,558
Total Disbursements	233,122	594,406	602,716	668,858	577,269	577,272	966,384	573,750	604,903	634,705	607,664	784,400	7,425,448
Ending Cash Balance	1,611,838	1,199,379	856,818	321,255	175,539	1,585,593	1,568,362	1,381,555	1,103,917	2,139,767	2,088,341	1,475,023	1,475,023

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	1,475,023	2,028,235	1,631,598	1,216,969	697,885	331,858	1,657,690	1,452,826	1,063,752	719,981	1,728,028	1,695,060	1,475,023
Receipts													
State Aid Apportionment	-	-	1,620	-	-	-	2,938	58	-	289	100	-	5,005
Property Taxes	1,574	43,784	62,708	72,372	146,630	1,904,416	641,725	85,081	186,316	1,558,310	528,007	221,340	5,452,262
Other Revenue Limit Sources	1,764	1,764	1,764	1,764	1,764	1,764	1,764	1,764	1,764	1,764	1,764	1,764	21,168
Federal	-	-	-	-	-	23,298	-	73,267	23,298	-	-	59,931	179,794
Other State	(64,238)	(46,044)	(3,984)	671	26,177	671	22,348	612	671	24,996	571	671	(36,879)
Other Local	25,473	25,473	89,925	25,473	25,473	25,473	142,348	27,796	25,473	36,983	29,432	25,469	504,792
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	56,859	46,416	3,034	-	-	-	-	-	-	-	-	-	106,309
Deferrals - Other State Revenues	235,758	-	-	-	-	-	-	-	-	-	-	-	235,758
Other Prior Year Receivables	33,290	(1,656)	(4,872)	12,515	(4,872)	21,668	-	-	-	-	-	-	56,073
Temporary Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	440,000	-	-	-	-	-	-	-	-	-	-	-	440,000
Total Receipts	730,481	69,737	150,196	112,794	195,172	1,977,290	811,123	188,578	237,522	1,622,343	559,873	309,175	6,964,283
Disbursements													
Salaries & Benefits	116,606	424,500	521,769	535,409	521,606	533,379	529,468	522,408	535,760	531,637	539,410	556,619	5,868,573
Commercial Warrant Exp	32,683	41,874	43,056	96,468	38,984	53,199	45,183	51,987	45,532	76,854	43,337	127,503	696,659
Transfers Out	915	-	-	-	609	64,880	1,335	3,257	-	5,805	10,094	33,639	120,535
Prior Year Payables	27,065	-	-	-	-	-	-	-	-	-	-	-	27,065
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	440,000	-	-	-	-	-	440,000
Total Disbursements	177,269	466,375	564,826	631,877	561,199	651,457	1,015,987	577,652	581,292	614,296	592,841	717,761	7,152,832
Ending Cash Balance	2,028,235	1,631,598	1,216,969	697,885	331,858	1,657,690	1,452,826	1,063,752	719,981	1,728,028	1,695,060	1,286,474	1,286,474

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	6,736	9,000
Special Revenue	Deferred Maintenance	285,023	310,000
Capital Projects	Capital Facilities	66,743	85,000
Total		358,502	404,000

* Represents the maturity date

Chula Vista Elementary School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	13,399,378	25,096,523	25,564,579	28,365,748	17,661,868	14,977,000	32,091,029	38,876,150	31,549,043	24,675,144	22,939,465	16,959,130	13,399,378
Receipts													
State Aid Apportionment	-	-	6,610,407	-	5,023,529	5,023,529	14,054,816	739,190	-	3,662,479	1,259,719	-	36,373,669
Property Taxes	161,447	207,406	(531,898)	(147,403)	1,690,142	19,556,003	8,792,548	103,373	245,440	14,124,392	6,389,073	2,757,302	53,347,824
Other Revenue Limit Sources	55,335	51,310	56,671	54,293	54,465	1,121,951	257,303	48,263	50,830	-	-	-	1,750,419
Federal	-	77,923	1,355,649	1,664,423	1,234,066	212,892	631,559	198,427	5,411,988	-	-	2,986,012	13,772,940
Other State	289,217	456,823	3,509,858	3,937,834	1,587,696	2,119,961	2,906,640	3,728,611	111,677	3,352,888	1,992,376	756,924	24,750,504
Other Local	(161,340)	420,141	2,082,242	1,924,350	1,626,239	2,625,646	3,784,899	964,395	1,597,748	1,135,951	880,032	425,387	17,305,689
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	8,186,878	9,469,738	5,495,567	-	-	-	-	-	-	-	-	-	23,152,183
Deferrals - Other State Revenues	176,768	5,725,084	-	-	-	-	-	-	-	-	-	-	5,901,852
Other Prior Year Receivables	1,227,659	1,422,241	174,908	842,357	1,592,009	418,841	(84,019)	133,320	(144,118)	-	-	-	5,583,197
Temporary Loans	(50,000)	50,000	-	-	-	-	-	-	461,597	-	-	-	461,597
Other Cash Inflows	144,204	(31,794)	(110,533)	52,235	9,796	47,301	25,527	(11,382)	11,724	-	-	-	137,078
TRANS Related Receipts	17,066,261	-	-	-	-	-	-	-	-	-	-	-	17,066,261
Total Receipts	27,096,428	17,848,872	18,642,871	8,328,088	12,817,941	31,126,123	30,369,272	5,904,196	7,746,886	22,275,710	10,521,200	6,925,626	199,603,213
Disbursements													
Salaries & Benefits	12,914,804	13,163,172	13,379,982	13,201,700	13,238,603	13,263,550	10,908,233	12,907,249	12,761,897	12,934,933	13,192,491	12,315,869	154,182,484
Commercial Warrant Exp	3,169,063	2,064,150	2,753,778	2,462,898	2,009,830	859,684	2,107,260	2,435,091	1,851,149	2,478,469	3,309,043	6,330,738	31,831,154
Transfers Out	1,384	(1,384)	-	(204)	204	-	(164,254)	(23,352)	(22,131)	-	-	-	(209,738)
Prior Year Payables	2,581,144	401,861	378,993	(1,081)	(63,451)	154,055	(91,342)	(60,224)	169,189	-	-	-	3,469,144
Other Cash Outflows	(3,267,111)	1,753,017	(671,052)	3,368,656	317,621	(265,194)	2,226,265	(2,027,462)	(139,319)	-	-	-	1,295,421
TRANS Related Disbursements	-	-	-	-	-	-	8,597,988	-	-	8,597,988	-	-	17,195,977
Total Disbursements	15,399,283	17,380,816	15,841,701	19,031,969	15,502,809	14,012,094	23,584,150	13,231,303	14,620,784	24,011,390	16,501,534	18,646,606	207,764,441
Ending Cash Balance	25,096,523	25,564,579	28,365,748	17,661,868	14,977,000	32,091,029	38,876,150	31,549,043	24,675,144	22,939,465	16,959,130	5,238,149	5,238,149

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,238,149	30,830,494	28,463,448	24,199,062	11,640,000	6,404,225	23,569,571	6,215,630	599,208	2,613,614	11,007,064	5,928,731	5,238,149
Receipts													
State Aid Apportionment	(1,298,805)	196,696	4,845,857	957,782	5,021,738	3,073,531	7,971,420	828,548	828,548	5,499,432	1,344,727	-	29,269,473
Property Taxes	70,069	154,257	(323,004)	(7,111)	1,123,319	19,825,512	8,502,169	(180,451)	1,221,506	14,165,325	6,398,843	3,925,882	54,876,316
Other Revenue Limit Sources	104,887	104,887	104,887	104,887	104,887	104,887	104,887	104,887	104,887	104,887	104,887	104,887	1,258,644
Federal	-	-	-	92,489	-	2,410,069	-	2,742,688	2,366,672	-	246,982	3,738,016	11,596,915
Other State	391,915	568,050	4,996,874	410,713	1,634,030	1,876,851	3,097,748	4,048,888	1,122,227	2,305,417	1,748,754	910,125	23,111,593
Other Local	968,797	1,247,255	2,308,882	1,584,935	1,978,881	1,978,881	2,886,682	968,797	968,797	1,384,021	1,064,908	968,797	18,309,632
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	17,322,739	11,154,023	-	-	-	-	-	-	-	-	-	-	28,476,761
Deferrals - Other State Revenues	5,317,509	-	-	-	-	-	-	-	-	-	-	-	5,317,509
Other Prior Year Receivables	(317,004)	-	475,484	1,163,121	475,484	475,484	-	-	-	-	-	-	2,272,570
Temporary Loans	-	-	-	-	-	-	-	-	12,000,000	-	-	4,000,000	16,000,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	24,000,000	-	-	-	-	-	-	-	-	-	-	-	24,000,000
Total Receipts	46,560,106	13,425,167	12,408,980	4,306,816	10,338,339	29,745,215	22,562,907	8,513,357	18,612,637	23,459,082	10,909,100	13,647,707	214,489,413
Disbursements													
Salaries & Benefits	13,104,549	13,224,861	13,511,507	13,481,862	13,441,163	11,852,560	13,342,160	12,781,060	13,588,235	13,178,931	13,445,913	12,534,721	157,487,521
Commercial Warrant Exp	746,134	2,584,090	3,151,478	3,400,633	2,103,450	919,507	2,680,529	1,381,401	2,993,693	1,940,378	2,568,029	5,024,010	29,493,333
Transfers Out	21,925	(16,737)	10,381	(16,617)	29,500	(192,199)	(105,842)	(32,682)	16,304	(53,676)	(26,510)	(42,729)	(408,882)
Prior Year Payables	7,095,154	-	-	-	-	-	-	-	-	-	-	-	7,095,154
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	24,000,000	-	-	-	-	-	24,000,000
Total Disbursements	20,967,761	15,792,214	16,673,366	16,865,878	15,574,114	12,579,869	39,916,848	14,129,779	16,598,231	15,065,632	15,987,432	17,516,002	217,667,126
Ending Cash Balance	30,830,494	28,463,448	24,199,062	11,640,000	6,404,225	23,569,571	6,215,630	599,208	2,613,614	11,007,064	5,928,731	2,060,437	2,060,437

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Charter Schools Special Revenue	3,652,923	3,230,371
Capital Projects	Capital Facilities	5,384,724	5,875,668
Special Revenue	Child Development	212,936	137,529
Special Revenue	Cafeteria	318	320
Special Revenue	Deferred Maintenance	306,556	169,539
Special Revenue	Pupil Transportation Equipment	108,057	248,897
Capital Projects	County School Facilities	1,256,410	1,236,237
Internal Service	Self-Insurance Fund	6,554,602	8,114,168
Internal Service	Self-Insurance Fund	96,470	106,470
Total		17,572,996	19,119,199

* Represents the maturity date

Grossmont Union High School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	6,747,766	27,098,134	29,574,225	31,186,993	21,019,126	18,310,852	32,388,374	40,836,663	26,572,478	16,291,167	12,253,883	4,366,202	6,747,766
Receipts													
State Aid Apportionment	-	-	6,450,128	-	4,911,338	4,911,338	13,740,928	565,441	-	2,801,603	963,618	-	34,344,394
Property Taxes	(785,442)	290,751	(881,463)	(457,088)	(1,092,119)	21,754,470	9,885,871	(176,657)	243,475	15,404,683	6,987,367	5,490,570	56,664,418
Other Revenue Limit Sources	54,998	61,323	754,764	65,959	76,425	75,736	252,255	75,442	75,062	106,871	70,000	122,926	1,791,760
Federal	295,050	247,282	188,692	63,343	131,057	60,467	2,381,456	97,476	5,586,459	-	-	2,973,141	12,024,423
Other State	181,812	598,152	971,016	4,532,061	1,440,419	1,713,665	3,335,042	1,023,934	1,203,527	3,388,110	1,541,621	930,580	20,859,938
Other Local	178,097	115,594	1,727,907	2,029,751	1,975,051	2,020,326	4,278,172	1,440,433	1,534,775	955,173	1,046,097	734,550	18,035,926
Transfers In	2,000,000	1,100,000	-	-	-	-	-	-	-	-	-	50,000	3,150,000
Deferrals - Principal Apportionment	10,812,199	10,530,091	6,110,923	-	-	-	-	16,078	(16,078)	-	-	-	27,453,213
Deferrals - Other State Revenues	461,712	-	-	-	-	-	-	-	-	-	-	-	461,712
Other Prior Year Receivables	1,784,417	3,544,299	(645,568)	694,181	3,426,126	(906,038)	1,126,759	377,793	(2,390,152)	-	-	-	7,011,816
Temporary Loans	(3,395,579)	(849,107)	(553,906)	-	-	-	-	-	-	-	-	4,000,000	301,408
Other Cash Inflows	938,744	(55,374)	39,162	11,015	18,816	43,985	(12,715)	31,547	18,285	-	-	-	1,033,465
TRANS Related Receipts	19,445,265	-	-	-	-	-	-	-	-	-	-	-	19,445,265
Total Receipts	31,971,272	15,583,011	14,161,655	6,939,221	10,887,113	29,673,949	34,987,768	3,451,487	7,355,353	22,656,440	10,608,703	14,301,767	202,577,738
Disbursements													
Salaries & Benefits	4,059,386	10,899,761	13,553,254	13,986,610	13,659,412	14,117,751	13,073,530	14,250,328	14,359,388	13,574,184	13,384,430	12,106,079	151,024,112
Commercial Warrant Exp	(21,647)	2,020,879	1,882,209	2,721,440	2,121,127	1,927,183	1,996,126	2,009,238	2,318,299	1,409,449	3,602,247	4,607,880	26,594,430
Transfers Out	52,747	103,246	178,825	881,834	55,724	59,300	(8,489)	-	-	21,238	312,472	1,597,380	3,254,277
Prior Year Payables	7,895,680	106,777	(1,664,642)	(350,882)	2,030,353	122,775	(1,820,056)	1,514,354	(434,352)	596,450	-	-	7,996,458
Other Cash Outflows	(365,261)	(23,743)	(1,400,759)	(131,913)	(4,271,230)	(630,582)	3,503,319	(58,248)	1,393,329	1,297,354	1,197,235	-	509,501
TRANS Related Disbursements	-	-	-	-	-	-	9,795,048	-	-	9,795,048	-	-	19,590,096
Total Disbursements	11,620,904	13,106,920	12,548,887	17,107,089	13,595,386	15,596,427	26,539,479	17,715,672	17,636,664	26,693,723	18,496,384	18,311,339	208,968,874
Ending Cash Balance	27,098,134	29,574,225	31,186,993	21,019,126	18,310,852	32,388,374	40,836,663	26,572,478	16,291,167	12,253,883	4,366,202	356,630	356,630

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	356,630	25,537,115	31,244,207	24,101,029	10,869,626	5,160,509	20,133,013	10,191,318	1,147,392	185,711	1,462,310	1,011,926	356,630
Receipts													
State Aid Apportionment	(1,027,528)	218,401	4,135,889	896,663	4,200,624	2,659,332	6,738,912	655,492	655,492	4,444,412	1,085,530	-	24,663,220
Property Taxes	80,656	149,015	(514,007)	(127,385)	956,428	22,102,069	9,476,163	(361,111)	1,013,973	15,603,121	6,926,758	4,099,024	59,404,706
Other Revenue Limit Sources	102,326	102,326	102,326	102,326	102,326	102,326	102,326	102,326	102,326	102,326	102,326	102,325	1,227,911
Federal	-	-	-	-	-	1,499,312	-	2,444,216	1,499,312	-	-	2,721,420	8,164,260
Other State	320,063	746,205	2,214,158	746,026	2,295,681	2,034,566	3,770,100	769,149	519,762	2,479,369	1,241,270	788,593	17,924,943
Other Local	153,342	396,159	1,995,337	2,042,391	1,747,632	1,889,069	3,301,834	1,126,965	1,321,424	1,074,775	734,833	632,449	16,416,210
Transfers In	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
Deferrals - Principal Apportionment	16,926,748	10,810,072	-	-	-	-	-	-	-	-	-	-	27,736,820
Deferrals - Other State Revenues	468,195	-	-	-	-	-	-	-	-	-	-	-	468,195
Other Prior Year Receivables	2,741,227	4,482,454	-	-	-	-	-	-	-	-	-	-	7,223,681
Temporary Loans	(4,000,000)	-	-	-	-	-	-	2,000,000	9,800,000	(7,000,000)	5,000,000	6,000,000	11,800,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	19,000,000	-	-	-	-	-	-	-	-	-	-	-	19,000,000
Total Receipts	34,765,029	16,904,632	7,933,702	3,660,022	9,302,692	30,286,674	23,389,335	6,737,038	14,912,289	16,704,005	15,090,718	14,393,812	194,079,946
Disbursements													
Salaries & Benefits	3,878,603	10,262,051	12,862,372	13,347,081	13,022,950	13,476,740	12,230,428	13,423,310	13,046,265	13,046,265	13,046,265	11,299,635	142,941,967
Commercial Warrant Exp	145,546	921,822	2,193,534	3,411,639	1,929,955	1,721,149	2,049,492	2,339,745	2,829,994	2,293,095	2,423,279	2,537,325	24,796,574
Transfers Out	-	13,668	20,974	132,705	58,903	116,280	51,110	17,908	(2,290)	88,046	71,558	13,631	582,493
Prior Year Payables	5,560,395	-	-	-	-	-	-	-	-	-	-	-	5,560,395
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	19,000,000	-	-	-	-	-	19,000,000
Total Disbursements	9,584,544	11,197,541	15,076,880	16,891,425	15,011,808	15,314,169	33,331,030	15,780,963	15,873,970	15,427,406	15,541,102	13,850,591	192,881,429
Ending Cash Balance	25,537,115	31,244,207	24,101,029	10,869,626	5,160,509	20,133,013	10,191,318	1,147,392	185,711	1,462,310	1,011,926	1,555,147	1,555,147

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Adult Education	545,736	500,000
Special Revenue	Deferred Maintenance	1,374,245	500,000
Special Revenue	Special Reserve for Non-Capital Outlay	0	16,600
Capital Projects	Capital Facilities	4,578,570	4,000,000
Capital Projects	Special Reserve for Capital Outlay	8,443,000	9,000,000
Total		14,941,551	14,016,600

* Represents the maturity date

National School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Act)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	3,149,090	1,719,078	1,311,835	3,602,438	143,075	4,604,899	2,955,149	8,780,598	6,368,181	4,211,488	12,002,807	6,573,904	3,149,090
Receipts													
State Aid Apportionment	-	-	2,635,380	-	2,006,664	2,006,664	5,614,238	289,361	-	1,433,704	493,126	-	14,479,137
Property Taxes	17,499	56,766	53,902	79,359	164,175	1,310,570	653,933	68,462	126,564	1,145,827	440,823	34,221	4,152,100
Other Revenue Limit Sources	-	-	-	46,303	11,063	11,818	56,612	16,514	(91,252)	35,147	26,781	26,781	139,768
Federal	4,719	-	-	150,052	420,123	46,858	2,909,282	39,615	838,299	57,995	-	1,372,699	5,839,641
Other State	-	20,048	781,934	913,938	175,388	667,131	892,105	1,049,213	(1,480,096)	1,042,985	626,074	155,892	4,844,612
Other Local	1,000	-	296,433	145,148	1,696,877	329,809	893,452	203,454	554,292	159,073	44,651	-	4,324,189
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	2,247,662	3,369,024	1,955,141	-	-	-	-	-	-	-	-	-	7,571,827
Deferrals - Other State Revenues	-	1,360,545	-	-	-	-	-	-	-	-	-	-	1,360,545
Other Prior Year Receivables	(1,987,024)	(4,729,569)	(1,955,141)	8,505,997	(82,892)	60,824	46,787	-	1,638,604	-	-	-	1,497,586
Temporary Loans	(100,000)	(250,000)	309,374	(351,433)	372,666	(150,382)	(792,559)	(2,016)	332,677	8,028,959	(1,014,717)	754,504	7,137,074
Other Cash Inflows	2,283,190	3,515,505	2,687,704	(8,911,919)	385,635	(20,593)	(44,606)	100,472	(32,605)	(105,744)	-	-	(142,962)
TRANS Related Receipts	-	-	-	-	-	-	1,640,000	-	-	-	-	-	1,640,000
Total Receipts	2,467,045	3,342,319	6,764,727	577,445	5,149,700	4,262,700	11,869,244	1,765,075	1,886,484	11,797,945	616,738	2,344,096	52,843,518
Disbursements													
Salaries & Benefits	3,300,329	2,796,005	3,449,131	3,000,626	3,308,402	3,313,379	3,235,193	3,341,806	3,365,969	3,335,515	3,654,260	3,962,315	40,062,929
Commercial Warrant Exp	190,477	799,249	1,008,422	565,340	809,368	1,337,457	1,103,194	338,645	564,504	447,294	690,961	1,233,510	9,088,420
Transfers Out	13,723	-	90,804	(23,818)	(26,190)	(33,595)	303,373	29,855	(36,748)	96,610	56,740	210,328	680,883
Prior Year Payables	635,419	41,754	501	580,987	(181,866)	(3,474)	(554,722)	461,411	63,958	46,650	-	-	1,090,618
Other Cash Outflows	(242,891)	112,555	(74,534)	(86,326)	(3,221,837)	1,298,684	1,922,631	5,774	85,493	80,557	-	-	(119,895)
TRANS Related Disbursements	-	-	-	-	-	-	34,125	-	-	-	1,643,681	-	1,677,806
Total Disbursements	3,897,057	3,749,561	4,474,124	4,036,809	687,876	5,912,449	6,043,795	4,177,492	4,043,177	4,006,626	6,045,641	5,406,154	52,480,761
Ending Cash Balance	1,719,078	1,311,835	3,602,438	143,075	4,604,899	2,955,149	8,780,598	6,368,181	4,211,488	12,002,807	6,573,904	3,511,846	3,511,846

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	3,511,846	5,135,632	6,331,382	6,587,038	3,085,947	3,749,651	5,184,481	1,559,495	963,231	703,906	6,275,428	3,857,274	3,511,846
Receipts													
State Aid Apportionment	(322,759)	279,408	2,313,642	748,098	2,084,150	1,600,010	3,568,707	205,898	205,898	1,710,390	413,739	-	12,807,183
Property Taxes	14,719	47,470	63,714	60,984	119,729	1,313,154	608,842	53,639	146,256	1,008,152	457,842	286,075	4,180,576
Other Revenue Limit Sources	26,744	26,744	26,744	26,744	26,744	26,744	26,744	26,744	26,744	26,744	26,744	26,740	320,924
Federal	-	-	-	-	-	900,439	-	608,728	900,439	-	-	1,204,803	3,614,408
Other State	47,154	85,173	1,426,093	33,189	331,294	605,826	877,111	951,502	451,678	442,878	580,990	131,537	5,964,426
Other Local	44,377	107,990	350,515	185,132	1,721,490	275,127	482,512	44,377	600,671	139,234	66,333	44,377	4,062,134
Transfers In	1,444	1,444	1,444	1,444	1,444	1,444	1,444	1,444	1,444	1,444	1,444	1,441	17,325
Deferrals - Principal Apportionment	6,671,540	4,026,898	-	-	-	-	-	-	-	-	-	-	10,698,438
Deferrals - Other State Revenues	2,791,163	-	-	-	-	-	-	-	-	-	-	-	2,791,163
Other Prior Year Receivables	255,020	-	54,970	151,057	54,970	782,008	-	-	-	-	-	-	1,298,026
Temporary Loans	(7,878,752)	-	-	-	-	-	-	1,500,000	1,500,000	6,501,422	-	-	1,622,670
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	5,000,000	-	-	-	-	-	-	-	-	-	-	-	5,000,000
Total Receipts	6,650,651	4,575,127	4,237,123	1,206,648	4,339,822	5,504,752	5,565,359	3,392,332	3,833,130	9,830,264	1,547,093	1,694,972	52,377,274
Disbursements													
Salaries & Benefits	1,418,622	2,743,481	3,345,041	3,475,482	3,465,332	3,540,803	3,403,896	3,486,981	3,565,291	3,678,272	3,470,627	3,755,829	39,349,657
Commercial Warrant Exp	306,415	640,480	617,284	1,244,112	237,939	537,619	582,238	480,447	534,236	607,372	508,056	954,128	7,250,327
Transfers Out	71,985	(4,584)	19,141	(11,856)	(27,154)	(8,499)	204,211	21,169	(7,072)	(26,902)	(13,435)	230,390	447,394
Prior Year Payables	3,229,844	-	-	-	-	-	-	-	-	-	-	-	3,229,844
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	5,000,000	-	-	-	-	-	5,000,000
Total Disbursements	5,026,866	3,379,377	3,981,466	4,707,739	3,676,117	4,069,923	9,190,345	3,988,597	4,092,455	4,258,742	3,965,247	4,940,348	55,277,222
Ending Cash Balance	5,135,632	6,331,382	6,587,038	3,085,947	3,749,651	5,184,481	1,559,495	963,231	703,906	6,275,428	3,857,274	611,898	611,898

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	1,882,763	2,116,173
Special Revenue	Deferred Maintenance	678,448	538,981
Capital Projects	Capital Facilities	450,340	504,085
Capital Projects	County School Facilities	13,395	13,446
Capital Projects	Special Reserve for Capital Outlay	563,847	565,689
Total		3,588,793	3,738,373

* Represents the maturity date

Oceanside Unified School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	3,930,654	20,591,090	19,557,287	22,300,064	11,778,650	12,065,348	24,241,010	33,433,974	26,139,589	18,738,831	29,464,285	17,161,594	3,930,654
Receipts													
State Aid Apportionment	-	-	7,017,323	-	5,343,218	5,343,218	14,949,241	728,163	-	3,562,807	1,225,435	-	38,169,405
Property Taxes	(54,043)	380,918	156,510	395,272	1,351,095	12,271,332	5,868,060	418,157	831,943	9,582,379	4,278,934	1,338,661	36,819,218
Other Revenue Limit Sources	-	(3,080)	-	-	-	-	155,478	-	(203,799)	76,706	76,706	76,706	178,717
Federal	-	974,649	1,040,415	91,737	2,843,682	3,607,148	2,916,526	1,017,498	3,552,161	1	-	4,592,092	20,635,909
Other State	316,084	628,846	1,558,209	2,019,356	1,480,383	1,830,622	3,152,239	3,413,216	389,028	3,083,079	1,850,183	1,233,927	20,955,173
Other Local	28,716	119,027	1,068,913	384,639	2,198,955	779,442	2,481,371	613,586	480,232	1,127,629	642,793	492,068	10,417,370
Transfers In	-	-	-	0	-	-	(0)	-	40,750	-	-	-	40,750
Deferrals - Principal Apportionment	7,281,660	9,077,864	5,268,154	-	-	-	-	-	-	-	-	-	21,627,678
Deferrals - Other State Revenues	244,447	3,026,646	-	-	-	-	-	-	-	-	-	-	3,271,093
Other Prior Year Receivables	2,924,508	(1,944,698)	1,527,108	409,643	914,923	41,546	44,136	39,948	(322,197)	-	-	-	3,634,918
Temporary Loans	(12,349)	5,874	(76,314)	(18,276)	361,443	(1,023)	33,705	4,255	(1,313)	15,000,000	(5,868,813)	(1,521,808)	7,905,384
Other Cash Inflows	(124,888)	202,618	20,903	19,692	(153,641)	51,501	26,960	(16,215)	(77,116)	-	-	-	(50,187)
TRANS Related Receipts	13,283,650	-	-	-	-	-	-	-	-	-	-	-	13,283,650
Total Receipts	23,887,786	12,468,663	17,581,221	3,302,063	14,340,060	23,923,786	29,627,717	6,218,608	4,689,688	32,432,601	2,205,238	6,211,647	176,889,077
Disbursements													
Salaries & Benefits	1,104,161	11,097,749	13,201,151	11,434,218	12,289,150	10,843,096	11,487,969	12,625,293	11,831,403	12,861,065	12,489,845	13,082,328	134,347,428
Commercial Warrant Exp	1,254,027	1,862,314	2,066,754	1,588,486	1,872,948	1,233,692	1,358,725	1,297,450	1,061,390	2,151,699	2,018,083	4,375,779	22,141,348
Transfers Out	-	-	100	(137)	(44,803)	157,372	20,280	(14,346)	(34,046)	-	-	-	84,421
Prior Year Payables	5,135,028	1,524,133	101,889	37,243	255,567	(2,234)	49,304	(1,374)	48,315	-	-	-	7,147,871
Other Cash Outflows	(265,866)	(981,729)	(531,449)	763,668	(319,501)	(483,802)	824,090	(394,032)	(816,616)	-	-	-	(2,205,238)
TRANS Related Disbursements	-	-	-	-	-	-	6,694,384	-	-	6,694,384	-	-	13,388,768
Total Disbursements	7,227,350	13,502,466	14,838,444	13,823,477	14,053,361	11,748,124	20,434,753	13,512,992	12,090,447	21,707,148	14,507,928	17,458,107	174,904,598
Ending Cash Balance	20,591,090	19,557,287	22,300,064	11,778,650	12,065,348	24,241,010	33,433,974	26,139,589	18,738,831	29,464,285	17,161,594	5,915,134	5,915,134

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,915,134	17,781,298	21,119,957	18,762,122	9,403,136	7,453,544	19,191,152	8,702,359	2,068,463	2,682,253	15,451,808	9,181,177	5,915,134
Receipts													
State Aid Apportionment	(1,086,179)	441,309	5,384,723	1,413,486	5,203,757	3,574,489	8,572,993	692,907	692,907	5,011,899	1,220,127	-	31,122,417
Property Taxes	58,732	252,644	411,975	533,328	1,055,576	12,151,217	5,216,383	456,518	1,298,335	9,513,380	4,242,858	2,465,096	37,656,041
Other Revenue Limit Sources	76,706	76,706	76,706	76,706	76,706	76,706	76,706	76,706	76,706	76,706	76,706	76,706	920,472
Federal	-	-	-	-	1,470,000	5,402,737	-	3,495,878	3,932,737	-	-	4,945,676	19,247,028
Other State	420,924	757,715	2,833,844	566,936	1,639,923	1,979,018	3,007,933	2,090,957	994,560	2,397,470	1,669,085	1,089,569	19,447,933
Other Local	430,525	623,451	1,358,985	857,408	1,130,348	1,130,348	1,759,307	430,525	430,525	718,208	497,114	430,525	9,797,269
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	17,046,849	10,362,464	-	-	-	-	-	-	-	-	-	-	27,409,313
Deferrals - Other State Revenues	190,708	-	-	-	-	-	-	-	-	-	-	-	190,708
Other Prior Year Receivables	1,115,799	-	1,324,262	1,681,147	1,324,262	1,324,262	-	-	-	-	-	-	6,769,733
Temporary Loans	(7,718,764)	-	-	-	-	-	-	-	7,222,123	9,499,780	-	-	9,003,139
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	15,000,000	-	-	-	-	-	-	-	-	-	-	-	15,000,000
Total Receipts	25,535,300	12,514,290	11,390,495	5,129,011	11,900,573	25,638,777	18,633,322	7,243,491	14,647,893	27,217,442	7,705,890	9,007,572	176,564,055
Disbursements													
Salaries & Benefits	4,887,849	7,770,309	12,241,023	12,544,818	12,485,933	12,633,065	12,598,170	12,578,396	12,654,992	12,913,172	12,540,897	13,134,540	138,983,165
Commercial Warrant Exp	788,013	1,414,705	1,517,068	1,950,063	1,371,795	1,281,747	1,551,867	1,294,984	1,384,834	1,527,824	1,441,242	3,085,179	18,609,321
Transfers Out	(6,392)	(9,383)	(9,760)	(6,884)	(7,564)	(13,643)	(27,923)	4,007	(5,724)	6,890	(5,617)	(78,288)	(160,281)
Prior Year Payables	7,999,666	-	-	-	-	-	-	-	-	-	-	-	7,999,666
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	15,000,000	-	-	-	-	-	15,000,000
Total Disbursements	13,669,136	9,175,631	13,748,330	14,487,996	13,850,164	13,901,169	29,122,115	13,877,387	14,034,102	14,447,887	13,976,522	16,141,431	180,431,871
Ending Cash Balance	17,781,298	21,119,957	18,762,122	9,403,136	7,453,544	19,191,152	8,702,359	2,068,463	2,682,253	15,451,808	9,181,177	2,047,318	2,047,318

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	2,365,682	1,000,000
Capital Projects	Capital Facilities	4,739,579	1,000,000
Special Revenue	Deferred Maintenance	2,603,363	1,600,000
Total		9,708,624	3,600,000

* Represents the maturity date

Vista Unified School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	19,478,652	12,915,105	14,494,387	19,454,986	9,997,346	9,800,313	18,891,393	39,071,611	28,929,546	20,999,757	24,950,803	16,865,485	19,478,652
Receipts													
State Aid Apportionment	-	-	8,266,667	-	6,227,781	6,272,838	17,424,068	809,039	-	4,008,564	1,378,754	-	44,387,711
Property Taxes	127,534	616,970	517,972	513,536	822,002	14,010,049	7,113,953	(505,277)	1,386,013	11,078,049	4,767,487	1,404,082	41,852,368
Other Revenue Limit Sources	-	(3,818)	120,770	53,230	-	106,317	201,371	52,504	52,165	91,410	91,410	91,410	856,770
Federal	5,561	344,647	5,738,804	231,884	1,489,152	83,247	2,778,674	629,750	2,854,746	-	-	6,005,320	20,161,786
Other State	418,031	675,404	1,540,758	2,959,074	913,014	2,655,905	4,347,962	2,418,067	235,375	3,622,260	2,059,647	1,173,219	23,018,714
Other Local	70,784	382,458	1,899,919	2,033,707	3,134,134	1,472,227	4,120,008	663,459	939,947	1,515,782	854,423	523,974	17,610,822
Transfers In	-	-	-	590,651	-	-	-	-	-	92,268	92,268	332,033	1,107,220
Deferrals - Principal Apportionment	8,600,209	11,168,348	6,481,322	-	-	-	-	-	-	-	-	-	26,249,879
Deferrals - Other State Revenues	468,155	2,174,095	-	-	-	-	-	-	-	-	-	-	2,642,250
Other Prior Year Receivables	(7,763,556)	(9,457,419)	(5,357,981)	27,801,497	218,678	1,393,151	115,478	113,957	-	-	-	-	7,063,805
Temporary Loans	(13)	378,605	(1,824,919)	65,574	(189,626)	(3,853)	439,708	(405,569)	(17,262)	-	-	2,242,691	685,337
Other Cash Inflows	8,642,993	11,364,328	7,077,653	(27,437,848)	2,588,046	(2,186,255)	(632,772)	314,177	1,375,066	-	-	(1,468,732)	(363,344)
TRANS Related Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	10,569,696	17,643,617	24,460,964	6,811,305	15,203,180	23,803,627	35,908,450	4,090,108	6,826,050	20,408,333	9,243,989	10,303,997	185,273,317
Disbursements													
Salaries & Benefits	12,156,637	12,145,659	12,892,423	13,113,707	13,671,269	12,895,600	13,087,496	12,933,943	12,954,525	13,586,039	14,285,748	16,108,509	159,831,553
Commercial Warrant Exp	1,427,956	2,330,677	2,271,144	2,466,330	1,731,630	1,656,831	2,151,526	1,631,712	2,122,717	2,871,247	3,043,560	7,377,341	31,082,670
Transfers Out	-	-	0	138,333	37,183	-	-	(132,324)	-	-	-	-	43,192
Prior Year Payables	4,888,815	1,649,786	46,773	40,594	4,455	346,348	1,956	4,565	(2,444)	-	-	-	6,980,846
Other Cash Outflows	(1,340,164)	(61,787)	4,290,026	509,983	(44,323)	(186,232)	487,255	(205,722)	(318,957)	-	-	1,619,385	4,749,463
TRANS Related Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	17,133,243	16,064,335	19,500,365	16,268,946	15,400,213	14,712,547	15,728,232	14,232,173	14,755,840	16,457,286	17,329,308	25,105,236	202,687,723
Ending Cash Balance	12,915,105	14,494,387	19,454,986	9,997,346	9,800,313	18,891,393	39,071,611	28,929,546	20,999,757	24,950,803	16,865,485	2,064,245	2,064,245

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	2,064,245	16,645,558	17,404,119	15,636,181	5,073,741	2,286,096	12,312,389	5,178,053	10,110,010	551,124	18,486,804	10,942,456	2,064,245
Receipts													
State Aid Apportionment	(1,245,269)	522,936	6,255,169	1,658,105	6,027,564	4,159,660	9,945,669	794,395	794,395	5,771,314	1,404,700	-	36,088,640
Property Taxes	76,754	165,542	366,902	392,182	1,209,135	14,510,639	6,340,872	301,645	1,332,928	11,271,200	4,858,818	2,749,286	43,575,903
Other Revenue Limit Sources	93,498	93,498	93,498	93,498	93,498	93,498	93,498	93,498	93,498	93,498	93,498	93,498	1,121,976
Federal	-	-	-	-	185,371	1,719,346	-	2,976,382	1,904,717	-	-	3,392,908	10,178,724
Other State	521,286	801,968	3,588,041	579,861	2,144,004	2,335,653	3,874,719	2,424,144	1,087,286	2,839,258	1,975,891	1,186,645	23,358,754
Other Local	190,858	522,834	1,840,680	1,176,528	2,799,915	1,584,351	2,666,628	550,244	686,775	685,886	383,248	208,864	13,296,812
Transfers In	22,214	22,214	22,214	22,214	22,214	22,214	22,214	22,214	22,214	22,214	22,214	22,214	266,568
Deferrals - Principal Apportionment	22,499,292	12,541,923	-	-	-	-	-	-	-	-	-	-	35,041,216
Deferrals - Other State Revenues	2,332,835	-	-	-	-	-	-	-	-	-	-	-	2,332,835
Other Prior Year Receivables	(493,277)	456,036	657,367	1,172,497	657,367	657,367	-	-	-	-	-	-	3,107,357
Temporary Loans	-	-	-	-	-	-	-	12,964,045	-	12,695,230	-	-	25,659,275
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	15,000,000	-	-	-	-	-	-	-	-	-	-	-	15,000,000
Total Receipts	38,998,192	15,126,951	12,823,870	5,094,886	13,139,069	25,082,728	22,943,601	20,126,567	5,921,813	33,378,599	8,738,369	7,653,415	209,028,058
Disbursements													
Salaries & Benefits	11,027,002	12,741,814	13,235,379	13,710,786	13,887,158	13,499,689	13,385,055	13,753,192	13,601,373	13,714,526	14,439,585	16,249,135	163,244,694
Commercial Warrant Exp	1,511,623	1,626,576	1,356,865	1,946,953	2,039,555	1,553,878	1,699,716	1,440,570	1,879,326	1,728,393	1,843,842	1,837,528	20,464,826
Transfers Out	-	-	(436)	(413)	-	2,868	(6,834)	848	-	(0)	(710)	(38,562)	(43,240)
Prior Year Payables	11,878,254	-	-	-	-	-	-	-	-	-	-	-	11,878,254
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	15,000,000	-	-	-	-	-	15,000,000
Total Disbursements	24,416,879	14,368,391	14,591,808	15,657,326	15,926,714	15,056,434	30,077,937	15,194,609	15,480,699	15,442,919	16,282,716	18,048,101	210,544,534
Ending Cash Balance	16,645,558	17,404,119	15,636,181	5,073,741	2,286,096	12,312,389	5,178,053	10,110,010	551,124	18,486,804	10,942,456	547,770	547,770

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Adult Education	3,212,842	3,000,000
Capital Projects	Child Development	645	0
Special Revenue	Cafeteria	779,071	1,000,000
Special Revenue	Deferred Maintenance	2,131,935	2,000,000
Capital Projects	Capital Facilities	704,736	600,000
Capital Projects	County School Facilities	1,065,233	0
Capital Projects	Special Reserve for Capital Outlay	4,125,915	3,000,000
Total		12,020,377	9,700,000

* Represents the maturity date

SERIES B-2 PARTICIPANTS

Carlsbad Unified School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Proj)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	12,164,490	23,185,384	23,065,199	19,035,878	13,105,549	9,205,308	24,004,926	20,449,437	14,458,157	9,494,429	12,232,837	11,139,711	12,164,490
Receipts													
State Aid Apportionment	-	-	(3,561)	-	-	-	(6,458)	40	-	196	67	-	(9,716)
Property Taxes	99,381	1,865,211	886,321	740,185	2,128,964	20,719,175	8,025,985	811,014	1,829,543	15,868,005	5,485,820	2,217,130	60,676,734
Other Revenue Limit Sources	-	-	-	(1,548)	-	-	82,499	-	27,219	27,219	27,219	27,219	189,827
Federal	3,322	10,242	93,338	312,507	15,164	13,476	394,284	(1,862)	329,674	-	-	1,542,372	2,712,516
Other State	(192,174)	(1,181,674)	429,816	734,754	(472,492)	729,540	970,502	104,903	(53,434)	893,005	284,219	350,268	2,597,233
Other Local	133,903	153,731	624,931	38,486	506,096	449,173	1,035,128	256,314	220,562	343,842	242,768	150,089	4,155,022
Transfers In	-	-	-	-	-	-	154,275	215	33,360	33,360	33,360	145,745	400,314
Deferrals - Principal Apportionment	344,752	378,702	219,773	-	-	-	-	-	-	-	-	-	943,227
Deferrals - Other State Revenues	192,174	1,172,894	-	-	-	-	-	-	-	-	-	-	1,365,068
Other Prior Year Receivables	558,828	21,893	(185,184)	1,059,147	260,199	436,835	20,030	-	-	-	-	-	2,171,748
Temporary Loans	862	-	230,462	163	-	-	-	-	-	-	-	-	231,487
Other Cash Inflows	1,087	386,769	419,405	(857,161)	1,121,599	(922,413)	(165,948)	400,410	-	-	-	-	383,749
TRANS Related Receipts	13,687,727	-	-	-	-	-	-	-	-	-	-	-	13,687,727
Total Receipts	14,829,863	2,807,768	2,715,301	2,026,533	3,559,531	21,425,785	10,510,296	1,571,032	2,386,924	17,165,627	6,073,453	4,432,823	89,504,937
Disbursements													
Salaries & Benefits	1,737,897	2,217,519	6,107,578	6,392,125	6,401,653	5,834,678	6,119,649	6,386,540	6,399,714	6,384,816	6,327,462	6,977,819	67,287,450
Commercial Warrant Exp	558,649	771,815	885,573	1,090,435	1,058,387	853,933	789,265	924,363	1,055,805	1,144,696	839,117	2,659,740	12,631,778
Transfers Out	-	-	-	322,836	-	-	-	322,836	(104,868)	-	-	(4,740)	536,064
Prior Year Payables	1,705,621	55,641	3,546	15,030	85,844	30,841	86,296	(469)	-	-	-	-	1,982,349
Other Cash Outflows	(193,198)	(117,020)	(252,076)	136,437	(86,112)	(93,284)	172,869	(70,957)	-	-	-	-	(503,342)
TRANS Related Disbursements	-	-	-	-	-	-	6,897,706	-	6,897,706	-	-	-	13,795,413
Total Disbursements	3,808,968	2,927,954	6,744,621	7,956,863	7,459,772	6,626,167	14,065,786	7,562,312	7,350,651	14,427,219	7,166,579	9,632,819	95,729,712
Ending Cash Balance	23,185,384	23,065,199	19,035,878	13,105,549	9,205,308	24,004,926	20,449,437	14,458,157	9,494,429	12,232,837	11,139,711	5,939,714	5,939,714

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,939,714	18,651,975	16,960,497	12,702,688	7,121,283	2,474,856	17,312,547	11,945,980	7,219,596	2,656,808	6,559,933	6,177,148	5,939,714
Receipts													
State Aid Apportionment	-	-	(2,012)	-	-	-	(3,648)	(73)	-	(359)	(124)	-	(6,215)
Property Taxes	2,687	1,348,482	1,453,954	1,088,494	1,566,140	20,395,831	7,011,528	900,150	1,939,208	16,806,219	5,811,278	2,349,670	60,673,641
Other Revenue Limit Sources	27,219	27,219	27,219	27,219	27,219	27,219	27,219	27,219	27,219	27,219	27,219	27,215	326,624
Federal	-	-	-	-	-	293,644	-	929,214	293,644	-	-	758,251	2,274,753
Other State	(587,758)	(374,837)	131,616	131,616	481,163	143,956	502,777	131,616	131,616	1,103,625	575,737	462,947	2,834,072
Other Local	92,330	92,330	820,633	92,330	172,370	92,330	1,413,007	118,581	123,115	222,396	137,067	92,328	3,468,817
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	461,848	454,813	-	-	-	-	-	-	-	-	-	-	916,661
Deferrals - Other State Revenues	948,818	-	-	-	-	-	-	-	-	-	-	-	948,818
Other Prior Year Receivables	446,470	(47,059)	69,554	395,585	69,554	534,161	-	-	-	-	-	-	1,468,264
Temporary Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	14,295,000	-	-	-	-	-	-	-	-	-	-	-	14,295,000
Total Receipts	15,686,615	1,500,948	2,500,964	1,735,243	2,316,446	21,487,141	8,950,882	2,106,707	2,514,801	18,159,100	6,551,176	3,690,411	87,200,434
Disbursements													
Salaries & Benefits	1,622,390	2,138,649	5,855,051	5,973,529	6,051,965	6,033,134	6,049,779	6,096,702	6,139,925	6,119,107	6,066,882	6,916,831	65,063,945
Commercial Warrant Exp	383,101	720,976	861,416	1,339,498	836,031	616,317	1,102,762	715,529	937,664	989,368	753,510	2,276,980	11,533,151
Transfers Out	-	332,801	42,305	3,621	74,877	-	17,408	20,860	0	-	113,570	(61,023)	544,418
Prior Year Payables	968,864	-	-	-	-	-	-	-	-	-	-	-	968,864
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	7,147,500	-	-	7,147,500	-	-	14,295,000
Total Disbursements	2,974,355	3,192,426	6,758,772	7,316,648	6,962,872	6,649,450	14,317,449	6,833,091	7,077,589	14,255,975	6,933,962	9,132,788	92,405,378
Ending Cash Balance	18,651,975	16,960,497	12,702,688	7,121,283	2,474,856	17,312,547	11,945,980	7,219,596	2,656,808	6,559,933	6,177,148	734,771	734,771

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	560,236	450,000
Special Revenue	Deferred Maintenance	862	0
Capital Projects	Capital Facilities	2,191,165	150,000
Capital Projects	County School Facilities	149,070	0
Capital Projects	Capital Project for Blended Component Uses	2,000,000	5,000,000
Total		4,901,333	5,600,000

* Represents the maturity date

Encinitas Union School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	6,445,876	8,912,538	8,418,327	6,496,501	3,295,659	1,974,254	10,698,412	7,436,028	5,062,334	3,320,509	9,560,288	8,905,146	6,445,876
Receipts													
State Aid Apportionment	-	-	46,994	-	-	-	85,217	838	-	4,155	1,429	-	138,633
Property Taxes	52,843	384,346	294,009	333,988	1,181,177	11,848,483	4,508,428	467,172	876,342	9,585,128	3,245,149	739,123	33,516,187
Other Revenue Limit Sources	4,545	6,706	(12,057)	26,065	7,217	7,044	48,075	7,119	7,167	14,252	14,252	14,252	144,637
Federal	-	4,459	127,493	17,924	1,371	2,052	236,860	12,605	855,451	-	-	320,409	1,578,625
Other State	(31,491)	(1,377,447)	746,634	257,685	240,946	151,521	390,746	651,681	66,631	605,062	128,227	191,895	2,022,089
Other Local	11,018	659,429	635,144	278,379	212,618	873,756	683,006	306,047	288,021	148,573	37,315	-	4,133,304
Transfers In	-	3,688,107	-	-	-	-	-	-	-	-	-	-	3,688,107
Deferrals - Principal Apportionment	196,598	264,711	153,619	-	-	-	-	-	-	-	-	-	614,928
Deferrals - Other State Revenues	31,491	1,324,881	-	-	-	-	-	-	-	-	-	-	1,356,372
Other Prior Year Receivables	228,327	303,633	244,781	193,975	210,261	62,640	839	-	11,767	-	-	-	1,256,223
Temporary Loans	(21,446)	(1,578,644)	0	803	(20,233)	(51,290)	70,000	0	(0)	-	-	70,000	(1,530,808)
Other Cash Inflows	15,445	(175,654)	(426,479)	(324,851)	814,093	(527,117)	(239,520)	328,275	245,094	-	-	-	(290,713)
TRANS Related Receipts	5,018,022	-	-	-	-	-	-	-	-	-	-	-	5,018,022
Total Receipts	5,505,351	3,504,528	1,810,138	783,968	2,647,450	12,367,090	5,783,651	1,773,736	2,350,472	10,357,170	3,426,372	1,335,679	51,645,605
Disbursements													
Salaries & Benefits	2,166,036	3,277,220	3,266,355	3,343,360	3,357,436	3,398,351	3,288,262	3,373,047	3,388,519	3,420,467	3,365,608	3,628,536	39,273,196
Commercial Warrant Exp	380,545	323,935	508,019	566,573	628,220	281,147	600,772	824,663	803,927	696,924	715,907	1,650,388	7,981,021
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Year Payables	684,988	1,054	181	(56)	31,556	10,410	(69)	(145)	(52,887)	-	-	-	675,032
Other Cash Outflows	(192,881)	396,529	(42,591)	74,932	(48,357)	(46,975)	98,736	(50,135)	(47,262)	-	-	-	141,996
TRANS Related Disbursements	-	-	-	-	-	-	5,058,333	-	-	-	-	-	5,058,333
Total Disbursements	3,038,689	3,998,738	3,731,964	3,984,810	3,968,855	3,642,933	9,046,034	4,147,430	4,092,297	4,117,391	4,081,515	5,278,924	53,129,580
Ending Cash Balance	8,912,538	8,418,327	6,496,501	3,295,659	1,974,254	10,698,412	7,436,028	5,062,334	3,320,509	9,560,288	8,905,146	4,961,901	4,961,901

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	4,961,901	9,292,817	6,312,187	4,490,269	1,190,589	881,908	7,872,181	6,636,578	4,762,336	2,123,853	5,277,898	4,912,558	4,961,901
Receipts													
State Aid Apportionment	-	-	41,054	-	-	-	74,446	1,480	-	7,332	2,522	-	126,833
Property Taxes	49,896	382,621	298,357	333,988	1,181,176	11,878,483	4,553,666	470,732	880,341	9,585,905	3,245,416	669,042	33,529,623
Other Revenue Limit Sources	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	14,252	171,024
Federal	-	-	-	-	-	247,130	-	1,270,730	247,130	-	-	882,495	2,647,484
Other State	(411,173)	(305,714)	(53,767)	5,825	197,242	11,650	94,961	4,345	5,825	162,075	3,303	5,827	(279,601)
Other Local	151,316	151,316	608,308	151,316	316,180	151,316	980,008	167,788	214,725	232,929	179,387	151,310	3,455,899
Transfers In	-	-	1,080,000	-	-	-	-	-	-	-	-	-	1,080,000
Deferrals - Principal Apportionment	379,682	312,186	18,538	-	-	-	-	-	-	-	-	-	710,406
Deferrals - Other State Revenues	1,695,588	-	-	-	-	-	-	-	-	-	-	-	1,695,588
Other Prior Year Receivables	168,636	(13,249)	(30,925)	102,535	(30,925)	367,967	-	-	-	-	-	-	564,038
Temporary Loans	-	-	-	-	1,883,124	(1,883,124)	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	6,000,000	-	-	-	-	-	-	-	-	-	-	-	6,000,000
Total Receipts	8,048,197	541,412	1,975,816	607,916	3,561,049	10,787,674	5,717,332	1,929,326	1,362,273	10,002,493	3,444,880	1,722,926	49,701,294
Disbursements													
Salaries & Benefits	2,320,874	3,212,064	3,297,452	3,326,773	3,294,528	3,384,765	3,328,567	3,353,285	3,378,892	3,371,753	3,317,668	3,577,640	39,164,261
Commercial Warrant Exp	299,133	309,978	500,282	580,823	575,201	412,636	624,368	450,283	621,864	476,695	492,552	1,023,556	6,367,372
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Year Payables	1,097,275	-	-	-	-	-	-	-	-	-	-	-	1,097,275
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	3,000,000	-	-	3,000,000	-	-	6,000,000
Total Disbursements	3,717,281	3,522,042	3,797,734	3,907,596	3,869,729	3,797,401	6,952,935	3,803,569	4,000,756	6,848,448	3,810,220	4,601,196	52,628,908
Ending Cash Balance	9,292,817	6,312,187	4,490,269	1,190,589	881,908	7,872,181	6,636,578	4,762,336	2,123,853	5,277,898	4,912,558	2,034,288	2,034,288

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	28,127	28,000
Special Revenue	Special Reserve for Non-Capital Outlay	4,964,939	2,900,000
Special Revenue	Special Reserve for Post Employment Benefits	431,467	370,000
Capital Projects	Special Reserve for Capital Outlay	1,548,923	450,125
Internal Service	Self-Insurance Fund	1,087,457	1,302,748
Capital Projects	Capital Facilities	1,284,340	550,543
Total		9,345,253	5,601,416

* Represents the maturity date

Escondido Union School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	8,790,806	8,678,157	11,521,578	15,928,035	6,723,546	6,006,247	14,133,905	25,275,172	17,398,912	11,253,195	12,648,091	4,031,396	8,790,806
Receipts													
State Aid Apportionment	-	-	6,517,871	-	4,962,919	4,962,919	13,885,242	609,582	-	3,020,309	1,038,842	-	34,997,684
Property Taxes	85,162	365,609	(108,705)	114,661	957,652	9,328,720	4,345,857	243,750	512,694	6,709,621	2,840,430	1,817,722	27,213,172
Other Revenue Limit Sources	-	-	(382)	110,516	-	-	235,839	-	-	119,319	125,000	319,238	909,530
Federal	39,136	2,712,078	1,397,238	222,225	770,691	15,544	1,906,984	69,239	3,751,932	283,627	476,040	1,866,987	13,511,721
Other State	357,440	437,059	1,851,154	2,343,381	1,298,959	1,520,312	2,034,669	1,942,564	59,474	2,526,996	494,681	1,486,679	16,353,369
Other Local	51,052	708,687	1,137,077	65,800	978,967	2,692,124	2,515,394	156,914	762,686	563,673	265,044	253,613	10,151,030
Transfers In	-	-	-	-	916,408	7,958	-	-	-	-	-	4,727,726	5,652,093
Deferrals - Principal Apportionment	6,657,910	8,821,305	5,119,260	-	-	-	-	-	-	-	-	-	20,598,475
Deferrals - Other State Revenues	159,396	2,683,498	-	-	-	-	-	-	-	-	-	-	2,842,894
Other Prior Year Receivables	(5,630,454)	7,361,741	(19,159)	440,932	1,130,036	324,658	144,755	26,291	-	-	-	-	3,778,800
Temporary Loans	-	(100,788)	256,555	(748)	748	-	-	-	-	-	-	4,000,000	4,155,766
Other Cash Inflows	6,746,026	(6,688,780)	(23,558)	(518,200)	455,493	882,161	(624,337)	556,267	60,680	58,250	152,679	81,031	1,137,712
TRANS Related Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	8,465,669	16,300,410	16,127,350	2,778,566	11,471,873	19,734,397	24,444,403	3,604,605	5,147,466	13,281,795	5,392,716	14,552,996	141,302,246
Disbursements													
Salaries & Benefits	6,970,735	8,317,125	9,581,251	9,788,133	9,865,733	9,903,063	9,738,448	9,965,378	10,022,820	10,145,951	10,102,544	10,239,208	114,640,389
Commercial Warrant Exp	394,742	1,362,166	2,291,680	1,883,189	1,345,689	973,928	3,435,907	1,120,810	1,520,759	1,693,558	3,780,913	2,274,630	22,077,972
Transfers Out	-	737,410	-	29,253	1,004,145	10,718	(111,453)	342,040	(57,219)	(17,610)	88,256	263,034	2,288,574
Prior Year Payables	1,849,199	287,726	2,504	6,724	74,214	855,076	8,821	202,017	(160,842)	65,000	2,502	666,722	3,859,662
Other Cash Outflows	(636,358)	2,752,560	(154,541)	275,755	(100,609)	(136,046)	231,414	(149,380)	(32,335)	-	35,196	-	2,085,657
TRANS Related Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	8,578,318	13,456,989	11,720,893	11,983,054	12,189,172	11,606,739	13,303,137	11,480,865	11,293,183	11,886,899	14,009,411	13,443,594	144,952,254
Ending Cash Balance	8,678,157	11,521,578	15,928,035	6,723,546	6,006,247	14,133,905	25,275,172	17,398,912	11,253,195	12,648,091	4,031,396	5,140,798	5,140,798

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	5,140,798	16,142,473	16,744,439	16,102,895	7,583,010	5,399,038	11,847,407	16,247,781	6,870,579	3,011,346	3,243,661	6,055,697	5,140,798
Receipts													
State Aid Apportionment	(971,433)	379,140	4,741,043	1,229,759	4,597,622	3,140,473	7,560,236	619,708	619,708	4,459,248	1,085,864	-	27,461,367
Property Taxes	54,892	188,688	469,110	375,369	924,254	9,398,813	4,310,049	269,684	913,384	7,282,931	3,212,229	1,827,981	29,227,381
Other Revenue Limit Sources	-	-	-	90,000	-	-	217,000	-	-	119,319	65,000	310,000	801,319
Federal	28,172	45,011	875,069	200,993	691,130	-	2,867,693	360,924	4,096,437	580,557	281,513	2,140,976	12,168,475
Other State	197,969	296,444	3,020,525	605,450	1,162,240	1,434,438	2,849,221	2,016,437	898,871	1,587,378	1,775,031	624,725	16,468,729
Other Local	90,477	311,492	1,154,120	526,703	2,648,703	846,716	1,712,728	90,477	778,164	420,046	196,528	90,477	8,866,631
Transfers In	273,721	273,721	273,721	273,721	273,721	273,721	273,721	273,721	273,721	273,721	273,721	273,721	3,284,655
Deferrals - Principal Apportionment	16,619,799	9,362,169	-	-	-	-	-	-	-	-	-	-	25,981,968
Deferrals - Other State Revenues	2,913,086	-	-	-	-	-	-	-	-	-	-	-	2,913,086
Other Prior Year Receivables	634,560	-	164,658	875,571	164,658	3,418,364	-	-	-	-	-	-	5,257,810
Temporary Loans	(4,000,000)	-	-	-	-	-	-	-	-	-	8,000,000	6,000,000	10,000,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	5,000,000	-	-	-	-	-	-	-	-	-	-	-	5,000,000
Total Receipts	20,841,243	10,856,665	10,698,246	4,177,565	10,462,328	18,512,524	19,790,647	3,630,950	7,580,284	14,723,200	14,889,886	11,267,883	147,431,421
Disbursements													
Salaries & Benefits	7,154,198	8,615,372	10,092,894	10,240,107	10,348,722	10,114,254	11,408,020	10,203,021	10,178,075	10,362,670	9,955,541	10,796,177	119,469,051
Commercial Warrant Exp	563,923	856,609	1,246,897	2,428,090	1,293,433	1,949,902	1,585,141	2,433,831	1,334,165	1,637,890	1,923,432	4,309,951	21,563,262
Transfers Out	-	737,410	-	29,253	1,004,145	-	(102,887)	371,300	(72,721)	(9,675)	198,876	204,780	2,360,480
Prior Year Payables	2,121,447	-	-	-	-	-	-	-	-	-	-	-	2,121,447
Other Cash Outflows	-	45,308	-	-	-	-	-	-	-	-	-	-	45,308
TRANS Related Disbursements	-	-	-	-	-	-	2,500,000	-	-	2,500,000	-	-	5,000,000
Total Disbursements	9,839,568	10,254,699	11,339,791	12,697,450	12,646,300	12,064,156	15,390,273	13,008,152	11,439,518	14,490,885	12,077,849	15,310,909	150,559,548
Ending Cash Balance	16,142,473	16,744,439	16,102,895	7,583,010	5,399,038	11,847,407	16,247,781	6,870,579	3,011,346	3,243,661	6,055,697	2,012,672	2,012,672

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12 Projected Cash Balance as of 04/30/13*
Special Revenue	Child Development	66,131	50,000 25,000
Special Revenue	Cafeteria	3,985,260	4,100,000 4,150,000
Special Revenue	Deferred Maintenance	1,064,914	217,235 0
Capital Projects	Special Reserve for Non-Capital Outlay	2,335,092	238,000 238,000
Capital Projects	Capital Facilities	4,839,414	4,900,000 4,950,000
Capital Projects	County School Facilities	847,569	250,000 0
Special Revenue	Special Reserve for Capital Outlay	20,629	20,725 20,750
Capital Projects	Special Reserve for Capital Outlay	0	1,979,191 1,000,000
Capital Projects	Capital Facilities	559,346	1,000 1,000
Total		13,718,355	11,756,151 10,384,750

* Represents the maturity date

Fallbrook Union High School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	1,218,222	3,783,047	3,449,911	4,460,484	2,549,496	1,984,424	4,031,104	5,982,000	4,444,482	3,060,009	3,216,298	3,066,772	1,218,222
Receipts													
State Aid Apportionment	-	-	1,263,419	-	-	-	2,291,037	43,840	-	217,217	74,712	-	3,890,225
Property Taxes	19,504	117,935	87,405	89,335	319,051	3,646,876	2,124,288	127,353	254,677	2,973,845	1,950,317	473,058	12,183,644
Other Revenue Limit Sources	12,720	10,945	33,515	6,513	6,519	6,304	29,118	(717)	6,655	14,503	14,503	14,503	155,081
Federal	-	148,531	221,970	6,040	678,063	675,897	152,376	173,733	459,390	-	-	524,543	3,040,543
Other State	35,780	53,193	213,010	208,596	205,210	228,414	507,101	156,663	60,841	437,746	260,885	190,561	2,557,999
Other Local	249,820	79,696	149,611	87,613	176,867	136,953	431,973	132,709	60,390	117,848	125,235	90,269	1,838,985
Transfers In	-	-	861,124	-	-	-	-	-	-	79,890	17,667	-	958,681
Deferrals - Principal Apportionment	706,325	631,009	366,193	-	-	-	-	-	-	-	-	-	1,703,527
Deferrals - Other State Revenues	47,973	-	-	-	-	-	-	-	-	-	-	-	47,973
Other Prior Year Receivables	174,284	113,506	695,613	106,369	234,801	-	289	56,887	256	-	-	-	1,382,005
Temporary Loans	-	-	-	-	-	(200,000)	-	-	-	-	-	-	(200,000)
Other Cash Inflows	0	643,702	(650,699)	184	3,352	291	980	(45,180)	(8,897)	-	-	-	(56,267)
TRANS Related Receipts	2,166,546	-	-	-	-	-	-	-	-	-	-	-	2,166,546
Total Receipts	3,412,952	1,798,518	3,241,160	504,650	1,623,863	4,494,735	5,537,162	645,288	833,313	3,841,049	2,443,320	1,292,935	29,668,944
Disbursements													
Salaries & Benefits	371,560	1,542,577	1,889,772	1,858,156	1,946,614	1,868,562	1,821,461	1,878,637	2,004,207	1,908,288	1,889,809	2,153,576	21,133,219
Commercial Warrant Exp	30,953	387,226	368,888	464,740	276,424	595,553	599,944	315,092	293,304	655,658	680,162	679,430	5,347,375
Transfers Out	-	-	-	-	9,679	-	-	14,056	-	22,874	22,874	204,999	274,482
Prior Year Payables	503,233	323,495	(653)	(814)	(16,934)	2,152	20,284	(382)	(5,109)	-	-	-	825,273
Other Cash Outflows	(57,620)	(121,645)	(27,419)	93,557	(26,848)	(18,212)	46,637	(24,598)	(74,617)	-	-	-	(210,764)
TRANS Related Disbursements	-	-	-	-	-	-	1,097,940	-	-	1,097,940	-	-	2,195,880
Total Disbursements	848,126	2,131,654	2,230,587	2,415,638	2,188,936	2,448,055	3,586,266	2,182,806	2,217,786	3,684,760	2,592,846	3,038,005	29,665,464
Ending Cash Balance	3,783,047	3,449,911	4,460,484	2,549,496	1,984,424	4,031,104	5,982,000	4,444,482	3,060,009	3,216,298	3,066,772	1,321,701	1,321,701

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	1,321,701	4,559,641	4,056,759	3,603,728	2,056,230	949,441	3,300,747	3,219,873	2,177,409	1,120,681	1,204,202	1,523,452	1,321,701
Receipts													
State Aid Apportionment	(169,400)	240,708	1,005,814	197,461	(52,572)	(306,672)	1,105,966	108,065	108,065	580,437	143,715	-	2,961,586
Property Taxes	9,984	82,886	117,809	121,427	240,484	3,643,901	2,123,340	138,838	217,713	2,974,286	1,950,526	568,175	12,189,368
Other Revenue Limit Sources	18,426	18,426	18,426	18,426	18,426	18,426	18,426	18,426	18,426	18,426	18,426	18,426	221,112
Federal	-	-	-	-	442,513	355,940	-	558,081	597,886	158,733	154,769	533,962	2,801,885
Other State	47,902	120,406	271,104	100,093	205,567	240,893	432,271	141,810	121,445	328,049	202,410	141,808	2,353,756
Other Local	88,800	167,564	383,497	322,038	141,198	88,800	359,546	235,322	88,800	118,380	111,655	92,505	2,198,105
Transfers In	18,787	18,787	18,787	18,787	18,787	18,787	18,787	18,787	18,787	18,787	18,787	18,785	225,442
Deferrals - Principal Apportionment	1,175,431	745,597	6,758	-	-	-	-	-	-	-	-	-	1,927,786
Deferrals - Other State Revenues	48,999	-	-	-	-	-	-	-	-	-	-	-	48,999
Other Prior Year Receivables	118,655	93,824	73,756	178,011	73,756	446,234	-	-	-	-	-	-	984,237
Temporary Loans	-	-	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	3,780,000	-	-	-	-	-	-	-	-	-	-	-	3,780,000
Total Receipts	5,137,584	1,488,198	1,895,950	956,243	1,088,159	4,506,309	4,058,335	1,219,329	1,171,123	4,197,098	2,600,288	2,373,660	30,692,276
Disbursements													
Salaries & Benefits	468,374	1,493,537	1,750,508	1,784,411	1,841,181	1,769,357	1,761,841	1,803,129	1,777,524	1,819,858	1,802,786	2,055,307	20,127,814
Commercial Warrant Exp	241,877	497,542	598,474	703,444	352,692	367,328	487,368	457,268	450,326	403,718	478,252	482,945	5,521,234
Transfers Out	-	-	-	15,886	1,075	18,319	-	1,396	-	-	-	213,324	250,000
Prior Year Payables	1,189,394	-	-	-	-	-	-	-	-	-	-	-	1,189,394
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	1,890,000	-	-	1,890,000	-	-	3,780,000
Total Disbursements	1,899,645	1,991,079	2,348,982	2,503,741	2,194,947	2,155,004	4,139,209	2,261,794	2,227,851	4,113,576	2,281,038	2,751,577	30,868,442
Ending Cash Balance	4,559,641	4,056,759	3,603,728	2,056,230	949,441	3,300,747	3,219,873	2,177,409	1,120,681	1,204,202	1,523,452	1,145,536	1,145,536

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Cafeteria	365,000	345,000
Special Revenue	Deferred Maintenance	215,000	217,000
Capital Projects	Capital Facilities	801,526	921,526
Total		1,381,526	1,483,526

* Represents the maturity date

San Dieguito Union High School District

2011-2012 GENERAL FUND CASH FLOW (ACTUAL AND PROJECTED)													
	Jul (Act)	Aug (Act)	Sep (Act)	Oct (Act)	Nov (Act)	Dec (Act)	Jan (Act)	Feb (Act)	Mar (Act)	Apr (Proj)	May (Proj)	Jun (Proj)	Total
Beginning Cash Balance	13,723,910	28,702,968	24,353,872	18,604,519	11,907,451	7,811,242	27,771,863	23,588,978	17,275,305	12,705,138	19,699,753	18,604,398	13,723,910
Receipts													
State Aid Apportionment	-	-	(5,360)	-	-	-	(9,719)	(669)	-	(3,317)	(1,141)	-	(20,206)
Property Taxes	125,194	910,119	707,790	790,856	2,795,901	27,649,237	10,530,594	1,092,892	2,049,771	22,407,674	7,526,098	1,763,723	78,349,848
Other Revenue Limit Sources	-	(1,814)	-	-	-	-	93,043	-	-	30,689	30,689	30,689	183,296
Federal	-	738,524	155,598	550,009	52,927	12,681	313,395	13,652	1,700,827	-	-	912,064	4,449,677
Other State	(298,243)	56,300	235,826	1,125,740	294,544	(69,084)	1,648,798	(30,140)	783,331	1,492,570	335,957	472,473	6,048,072
Other Local	42,356	317,242	792,128	492,500	519,588	495,152	1,511,967	693,093	300,491	469,993	370,915	88,206	6,093,630
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	516,401	512,614	297,484	-	-	-	-	-	-	-	-	-	1,328,499
Deferrals - Other State Revenues	298,243	-	-	-	-	-	-	-	-	-	-	-	298,243
Other Prior Year Receivables	(130,983)	616,680	(215,658)	1,296,562	777,432	34,297	604	106	1,294	-	-	-	2,380,333
Temporary Loans	(40,000)	131,594	-	-	-	(15,000)	(5,000)	(121,000)	-	-	-	191,000	141,594
Other Cash Inflows	819,836	30,936	344,979	(1,190,282)	361,529	361,529	(723,034)	361,611	(355,074)	-	-	-	12,030
TRANS Related Receipts	16,687,439	-	-	-	-	-	-	-	-	-	-	-	16,687,439
Total Receipts	18,020,243	3,312,195	2,312,788	3,065,384	4,801,921	28,468,812	13,360,647	2,009,543	4,480,639	24,397,609	8,262,519	3,458,155	115,950,455
Disbursements													
Salaries & Benefits	1,357,566	6,006,191	7,484,767	7,462,856	7,549,953	7,895,314	7,606,759	7,493,766	7,818,621	7,424,459	7,326,745	8,550,127	83,977,124
Commercial Warrant Exp	346,455	1,228,646	837,329	1,556,818	1,067,662	725,450	1,321,891	921,286	1,326,321	1,434,224	1,894,192	2,730,718	15,390,993
Transfers Out	-	-	(0)	420,319	918	-	-	-	20,000	136,937	136,937	928,128	1,643,239
Prior Year Payables	1,500,563	169,185	1,469	46,449	397,490	(1,482)	(1,517)	(1,678)	5,983	-	-	-	2,116,463
Other Cash Outflows	(163,399)	257,269	(261,424)	276,008	(117,893)	(111,091)	209,025	(90,158)	(120,119)	-	-	-	(121,782)
TRANS Related Disbursements	-	-	-	-	-	-	8,407,374	-	-	8,407,374	-	-	16,814,748
Total Disbursements	3,041,185	7,661,291	8,062,141	9,762,451	8,898,130	8,508,191	17,543,533	8,323,216	9,050,805	17,402,994	9,357,874	12,208,973	119,820,785
Ending Cash Balance	28,702,968	24,353,872	18,604,519	11,907,451	7,811,242	27,771,863	23,588,978	17,275,305	12,705,138	19,699,753	18,604,398	9,853,580	9,853,580

2012-2013 GENERAL FUND CASH FLOW (PROJECTED)													
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Beginning Cash Balance	9,853,580	25,259,471	19,537,650	13,107,477	6,026,211	618,416	21,213,868	15,695,629	11,340,015	6,608,487	12,593,365	12,216,839	9,853,580
Receipts													
State Aid Apportionment	-	-	(43,899)	-	-	-	(79,604)	(1,582)	-	(7,840)	(2,697)	-	(135,622)
Property Taxes	45,992	636,204	940,000	1,065,474	2,131,522	27,349,327	9,258,378	1,222,298	2,675,021	22,415,020	7,529,345	3,183,509	78,452,090
Other Revenue Limit Sources	30,689	30,689	30,689	30,689	30,689	30,689	30,689	30,689	30,689	30,689	30,689	30,683	368,262
Federal	-	-	-	-	-	744,542	-	1,167,242	744,542	-	-	1,328,163	3,984,488
Other State	(822,820)	(522,021)	53,576	201,187	636,322	206,532	1,434,852	616,200	323,068	1,413,893	699,640	606,154	4,846,584
Other Local	213,133	213,133	1,118,744	565,344	213,133	213,133	1,855,334	884,462	225,828	374,864	331,662	234,768	6,443,538
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferrals - Principal Apportionment	633,378	636,760	147,611	-	-	-	-	-	-	-	-	-	1,417,749
Deferrals - Other State Revenues	298,243	-	-	-	-	-	-	-	-	-	-	-	298,243
Other Prior Year Receivables	375,913	133,889	(32,508)	307,666	(32,508)	818,870	-	-	-	-	-	-	1,571,321
Temporary Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Receipts	18,225,000	-	-	-	-	-	-	-	-	-	-	-	18,225,000
Total Receipts	18,999,528	1,128,655	2,214,213	2,170,361	2,979,158	29,363,093	12,499,649	3,919,308	3,999,148	24,226,626	8,588,640	5,383,276	115,471,654
Disbursements													
Salaries & Benefits	1,490,483	5,837,869	7,237,779	7,248,408	7,251,810	7,809,893	7,536,613	7,198,718	7,502,848	7,269,882	7,174,888	8,374,449	81,933,641
Commercial Warrant Exp	614,527	842,607	1,356,429	1,852,614	1,135,143	957,748	1,368,774	1,059,315	1,227,828	1,340,256	1,790,278	2,552,932	16,098,450
Transfers Out	-	-	50,177	20,604	-	-	-	16,889	-	519,110	-	1,036,458	1,643,239
Prior Year Payables	1,488,627	170,000	-	130,000	-	-	-	-	-	-	-	-	1,788,627
Other Cash Outflows	-	-	-	-	-	-	-	-	-	-	-	-	-
TRANS Related Disbursements	-	-	-	-	-	-	9,112,500	-	-	9,112,500	-	-	18,225,000
Total Disbursements	3,593,637	6,850,476	8,644,386	9,251,626	8,386,953	8,767,641	18,017,887	8,274,922	8,730,675	18,241,749	8,965,166	11,963,839	119,688,957
Ending Cash Balance	25,259,471	19,537,650	13,107,477	6,026,211	618,416	21,213,868	15,695,629	11,340,015	6,608,487	12,593,365	12,216,839	5,636,276	5,636,276

ALTERNATIVE CASH RESOURCES			
Fund Type	Fund Purpose	Audited Cash Balance as of 6/30/11	Projected Cash Balance as of 6/30/12
Special Revenue	Adult Education	12,430	5,000
Special Revenue	Cafeteria	850,550	735,600
Special Revenue	Deferred Maintenance	18,010	3,000
Special Revenue	Pupil Transportation Equipment	28,147	500
Capital Projects	Capital Facilities	1,471,452	1,257,900
Capital Projects	County School Facilities	1,972,197	1,059,800
Capital Projects	Capital Project for Blended Component Uses	4,559,053	2,559,053
Total		8,911,839	5,620,853

* Represents the maturity date

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APPENDIX D

2012-13 CASH FLOW PROJECTIONS OF THE COUNTY

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<p style="text-align: center;">COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2011/2012 EST/ACT</p> <p>As of May 9, 2012</p> <p style="text-align: center;">(in thousands)</p>													
	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Estimate	Jun Estimate	Total
1 Beginning Cash Balance	750,236												750,236
Revenue Categories:													
2 Taxes Current Property	-	5,728	4,282	4,895	17,218	180,927	70,968	6,772	13,422	146,638	34,252	18,419	503,521
3 Taxes Other Than Current Secured	11,219	5,767	8,585	5,869	6,093	4,961	161,307	5,233	4,426	4,150	158,186	13,451	389,247
Licenses, Permits & Franchises	2,518	3,677	2,679	2,559	3,926	2,648	4,299	3,290	3,005	7,939	2,722	2,456	41,718
Fines, Forfeitures & Penalties	1,569	1,765	1,522	2,102	4,815	1,953	3,115	5,075	2,263	3,096	7,206	18,781	53,262
Revenue Use - Money & Property	2,981	2,789	1,218	1,512	750	651	1,302	687	676	1,508	672	484	15,230
Intergovernmental Revenue	61,444	149,932	84,789	154,231	77,783	179,776	110,617	147,396	112,417	171,071	146,643	174,561	1,570,659
Charges for Current Services	20,301	20,788	15,441	22,056	28,806	21,822	24,567	23,188	19,369	38,124	21,746	24,481	280,689
Miscellaneous Revenue	1,508	604	6,347	1,995	2,948	6,150	17,993	915	2,744	3,994	4,953	6,953	57,103
Other Financing Sources	19,237	407	3,913	16,839	16,760	25,009	18,931	19,022	29,193	16,309	24,200	34,650	224,470
Total Revenues	120,776	191,457	128,777	212,058	159,098	423,897	413,100	211,578	187,515	392,827	400,580	294,235	3,135,898
4 Teeter Receipts	23,273	4,360	10,369	6,427	7,247	3,911	5,253	2,341	2,228	2,201	3,611	3,534	74,754
Short Term Borrowing (Trans)	50,000												50,000
Total Receipts	194,049	195,817	139,145	218,486	166,346	427,808	418,353	213,919	189,743	395,028	404,191	297,769	3,260,652
Expenditure Categories:													
5 Salaries & Employee Benefits	492,420	94,194	116,813	83,107	79,871	81,016	80,438	80,659	117,749	82,327	83,400	83,481	1,475,475
Services and Supplies	84,825	85,585	83,967	87,127	85,373	68,337	92,518	80,470	89,733	97,789	97,984	118,598	1,072,305
6 Other Charges	87,438	27,044	54,943	35,633	33,358	47,907	28,533	29,779	54,283	43,032	49,012	48,669	539,630
Fixed Assets - Equipment	355	822	1,052	868	221	286	200	934	675	164	304	547	6,429
Operating Transfers	3,120	203	6,177	3,946	38,264	3,888	5,368	27,714	7,003	12,247	16,543	15,156	139,629
Total Expenditures	668,158	207,848	262,953	210,681	237,087	201,433	207,057	219,556	269,443	235,560	247,242	266,450	3,233,468
Teeter Disbursements												78,000	78,000
Short-Term Borrowing (Trans)							30,000			20,000			50,000
Total Disbursements	668,158	207,848	262,953	210,681	237,087	201,433	237,057	219,556	269,443	255,560	247,242	344,450	3,361,468
General Fund Month Ending Cash	276,127	264,096	140,288	148,093	77,352	303,727	485,023	479,386	399,686	539,154	696,102	649,421	649,421
7 Tobacco Tax Settlement Ending Cash	8,060	8,049	8,060	8,071	8,071	8,071	8,083	8,083	8,083	8,090	8,090	8,090	8,090
Cash Balance Including Tobacco	284,187	272,145	148,348	156,165	85,423	311,798	493,106	487,469	407,769	547,244	704,192	657,511	657,511

Footnotes:

- 1 Beginning cash is for the General Fund only.
- 2 Property tax payments are received in December and April. The County participates in the alternative method of secured property tax apportionment (the Teeter Plan) available under the Revenue and Taxation Code of the State of California.
- 3 VLF- in- lieu payments are apportioned each January and May.
- 4 Teeter cash receipts of \$105 million are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- 5 July includes \$327 million for Retirement Advances and OPEB, and \$81.3 million for POBs. September and March have three pay periods. The third pay period does not include health benefits. August includes a 2% (\$18 million) one-time monetary payment of annual base wages.
- 6 July includes \$38.9 million annual lease payment.
- 7 The Tobacco Settlement Trust Fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate trust fund.

**COUNTY OF SAN DIEGO
GENERAL FUND MONTHLY CASH FLOW SUMMARY
FISCAL YEAR 2012/2013 EST**

As of May 9, 2012

(In thousands)

	Jul Estimate	Aug Estimate	Sep Estimate	Oct Estimate	Nov Estimate	Dec Estimate	Jan Estimate	Feb Estimate	Mar Estimate	Apr Estimate	May Estimate	Jun Estimate	Total
1 Beginning Cash Balance	657,511												657,511
Revenue Categories:													
2 Taxes Current Property	-	5,469	4,787	4,882	14,834	182,034	69,812	5,804	12,640	143,960	46,750	19,519	510,491
3 Taxes Other Than Current Secured	11,650	5,206	10,276	5,945	7,743	5,612	160,566	5,154	4,853	8,087	148,017	10,512	383,622
Licenses, Permits & Franchises	2,370	3,255	2,638	2,230	3,543	3,016	3,876	3,655	3,036	8,038	3,086	2,870	41,613
Fines, Forfeitures & Penalties	2,248	1,835	1,721	2,617	5,124	1,897	3,566	4,459	4,347	4,481	8,663	10,973	51,930
Revenue Use - Money & Property	3,465	1,127	1,024	1,476	607	565	1,264	810	557	1,542	938	528	13,903
Intergovernmental Revenue	87,698	130,493	107,890	188,183	131,265	172,873	153,943	145,937	147,726	159,847	152,890	199,679	1,778,425
Charges for Current Services	20,524	21,017	15,612	22,299	29,123	22,063	24,838	23,444	19,583	38,544	30,352	24,750	292,148
Miscellaneous Revenue	1,130	453	4,757	1,495	2,210	4,610	2,243	686	2,057	2,993	3,712	5,211	31,556
Other Financing Sources	20,054	707	21,520	20,663	21,048	25,515	20,057	23,181	32,769	20,822	22,594	35,186	264,115
Total Revenues	149,139	169,561	170,225	249,790	215,497	418,184	440,165	213,129	227,567	388,314	417,003	309,229	3,367,803
4 Teeter Receipts	19,649	3,500	10,783	7,854	5,486	5,194	5,226	2,552	2,663	4,618	4,621	2,856	75,000
Short Term Borrowing (Trans)	50,000												50,000
Total Receipts	218,788	173,061	181,008	257,644	220,983	423,378	445,390	215,681	230,230	392,932	421,623	312,085	3,492,803
Expenditure Categories:													
5 Salaries & Employee Benefits	507,755	125,940	88,291	88,600	88,138	87,693	87,572	87,761	126,949	88,760	88,073	88,159	1,553,691
Services and Supplies	104,076	91,746	99,769	101,298	88,112	86,856	98,552	87,095	102,805	101,155	98,955	107,052	1,167,472
6 Other Charges	84,822	43,865	55,318	37,878	38,108	52,549	38,100	37,670	54,759	53,341	38,011	38,913	573,336
Fixed Assets - Equipment	1,156	269	189	93	468	598	244	440	1,744	601	244	440	6,484
Operating Transfers	7,519	6,392	7,051	8,135	12,985	9,422	10,372	13,813	12,497	11,278	13,053	12,936	125,454
Total Expenditures	705,328	268,213	250,618	236,004	227,811	237,118	234,840	226,779	298,754	255,136	238,336	247,500	3,426,437
Teeter Disbursements												75,000	75,000
Short-Term Borrowing (Trans)							30,000			20,000			50,000
Total Disbursements	705,328	268,213	250,618	236,004	227,811	237,118	264,840	226,779	298,754	275,136	238,336	322,500	3,551,437
Month End Cash Balance	170,971	75,818	6,208	27,848	21,020	207,280	387,830	376,732	308,208	426,005	609,292	598,876	598,876

Footnotes:

- 1 Actual beginning cash balance includes Tobacco Settlement Trust of \$8 million. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.
- 2 Property tax payments are received in December and April. The County participates in the alternative method of secured property tax apportionment (the Teeter Plan) available under the Revenue and Taxation Code of the State of California.
- 3 VLF- in- lieu payments are apportioned each January and May.
- 4 Teeter cash receipts of \$75 million are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- 5 July includes \$337.4 million for Retirement Advances and OPEB, and \$80.8 million for POBs. August and March have three pay periods. The third pay period does not include health benefits.
- 6 July includes \$43.3 million annual lease payment.

APPENDIX E

SCHEDULE OF PLEDGED REVENUE DEPOSITS

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Schedule of Pledged Revenue Deposits

Participant	Note Amount	Term Months	First Repayment Pledge Month			Subsequent Repayment Pledge Month(s)		
			Month	Percent	\$ Amount*	Month	Percent	\$ Amount*
Series A								
County of San Diego	\$ 50,000,000	12	January	60%	\$ 30,593,333	April	40%	\$ 20,395,556
Series B-1								
Borrego Springs Unified School District	320,000	7	January	100%	\$ 323,716	April	0%	\$ -
Cardiff School District	440,000	7	January	100%	\$ 445,109	April	0%	\$ -
Chula Vista Elementary School District	24,000,000	7	January	100%	\$ 24,278,667	April	0%	\$ -
Grossmont Union High School District	19,000,000	7	January	100%	\$ 19,220,611	April	0%	\$ -
National School District	5,000,000	7	January	100%	\$ 5,058,056	April	0%	\$ -
Oceanside Unified School District	15,000,000	7	January	100%	\$ 15,174,167	April	0%	\$ -
Vista Unified School District	15,000,000	7	January	100%	\$ 15,174,167	April	0%	\$ -
Subtotal	\$ 78,760,000							
Series B-2								
Carlsbad Unified School District	14,295,000	10	January	50%	\$ 7,265,831	April	50%	\$ 7,265,831
Encinitas Union School District	6,000,000	10	January	50%	\$ 3,049,667	April	50%	\$ 3,049,667
Escondido Union School District	5,000,000	10	January	50%	\$ 2,541,389	April	50%	\$ 2,541,389
Fallbrook Union High School District	3,780,000	10	January	50%	\$ 1,921,290	April	50%	\$ 1,921,290
San Dieguito Union High School District	18,225,000	10	January	50%	\$ 9,263,363	April	50%	\$ 9,263,363
Subtotal	\$ 47,300,000							
Total Par Amount:	\$ 176,060,000							

*Inclusive of interest. Actual amounts deposited in the Payment Accounts may be reduced by the anticipated investment earning to be received under an investment agreement, if any, through the Maturity Date of such investment agreement, if any.

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APPENDIX F

FORM OF BOND COUNSEL APPROVING OPINION

July 2, 2012

Participants identified
in the Trust Agreements

County of San Diego and San Diego County School Districts
Tax and Revenue Anticipation Note Program, Note Participations
Series 2012A, Series 2012B-1 and Series 2012B-2
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of San Diego (the “County”), on behalf of itself and various school districts (the “Districts” and together with the County, the “Participants”), in connection with the execution and delivery of \$50,000,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2012A, \$78,760,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2012B-1, and \$47,300,000 aggregate principal amount of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Note Participations, Series 2012B-2 (collectively, the “Note Participations”), evidencing and representing proportionate and undivided interests in (i) the tax and revenue anticipation notes (the “Notes”) issued by the County on behalf of itself and various school districts identified in the Trust Agreements (as hereinafter defined) and identified in the Official Statement, dated June 7, 2012 (the “Official Statement”), relating to the Note Participations, and (ii) the debt service payments on the Notes to be made by the Participants. The Note Participations are issued pursuant to three separate trust agreements, each dated as of July 1, 2012, between Wilmington Trust, N.A. (the “Trustee”) and the Participants which are a party to the respective trust agreements (the “Trust Agreements”). Each Note is issued pursuant to and by authority of a resolution of each respective Participant, each passed and adopted (collectively, the “Resolutions”) under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and designated the respective Participant’s “2012-2012 Tax and Revenue Anticipation Note.”

In such connection, we have reviewed the Trust Agreements, the Resolutions, the Notes, opinions of counsel to the County and the Districts, the Trustee, certificates of the County and the Districts regarding tax and other matters (the “Certificates”), certificates of the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such

actions, events or matters. Our engagement with respect to the Note Participations has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Participants. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolutions, the Trust Agreements and the Certificates, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest evidenced and represented by the Note Participations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Resolutions, the Notes, the Trust Agreements, the Certificates, and evidenced and represented by the Note Participations, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities such as the Participants in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes or the Note Participations and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. Each Note constitutes the valid and binding obligation of the respective issuing Participant. The principal of and interest on each Note are payable from the Pledged Revenues (as that term is defined in the respective Resolution) of the issuing Participant and, to the extent not so paid, are payable from any other moneys of such Participant lawfully available therefor.

2. The Resolutions have been duly adopted by the Participants and each constitutes a valid and binding obligation of the respective Participant.

3. The Trust Agreements have been duly executed and delivered by, and constitutes the valid and binding obligations of, the respective Participants which are a party thereto.

4. The Note Participations, upon execution and delivery thereof by the Trustee, are entitled to the benefits of the Trust Agreements.

5. Interest on the Notes paid by the Participants and received by the registered owners of the Note Participations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes represented by the Note Participations and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. Interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate

Participants identified
in the Trust Agreements
July 2, 2012
Page 3

alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of such interest represented by, the Note Participations.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX G

PARTICIPANT NOTE AMOUNTS AND COVERAGE ANALYSIS

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**County of San Diego and San Diego County School Districts
Rax and Revenue Anticipation Note Program
Note Participations, Series 2012**

Note Amounts and Coverage Analysis

Participant	Note Amount	Note Terms (Months)	Base Amounts (1)			TRANS as % of 2012-13 Cash Receipts	Cash Coverage Factors (2)		
			2012-13 Projected Cash Receipts (3)	2012-13 Cash Balance at Maturity	2012-13 Alt. Cash at Maturity		2012-13 Projected Cash Receipts (3)	2012-13 Cash Balance at Maturity	2012-13 & Alt. Cash
Series A									
County of San Diego	\$50,000,000	12	\$3,492,803,000	\$598,876,000	\$267,400,000	1.432%	70.86 x	12.98 x	18.33 x
Series B-1									
Borrego Springs Unified School District	320,000	7	3,607,784	231,371	660,635	8.870%	12.27 x	1.72 x	3.79 x
Cardiff School District	440,000	7	4,046,792	1,452,826	390,000	10.873%	10.20 x	4.30 x	5.19 x
Chula Vista Elementary School District	24,000,000	7	139,347,530	6,215,630	23,746,461	17.223%	6.81 x	1.26 x	2.25 x
Grossmont Union High School District	19,000,000	7	126,242,085	10,191,318	11,618,000	15.050%	7.64 x	1.54 x	2.15 x
National School District	5,000,000	7	32,079,482	1,559,495	943,753	15.586%	7.42 x	1.31 x	1.50 x
Oceanside Unified School District	15,000,000	7	110,741,767	8,702,359	3,000,000	13.545%	8.38 x	1.58 x	1.78 x
Vista Unified School District	15,000,000	7	133,209,296	5,178,053	6,100,000	11.260%	9.88 x	1.35 x	1.75 x
Subtotal	78,760,000					Subtotal Averages:	8.94 x	1.87 x	2.63 x
Series B-2									
Carlsbad Unified School District	14,295,000	10	76,958,847	6,559,933	6,700,000	18.575%	6.38 x	1.46 x	1.93 x
Encinitas Union School District	6,000,000	10	44,533,488	5,277,898	2,277,000	13.473%	8.42 x	1.88 x	2.26 x
Escondido Union School District	5,000,000	10	121,273,653	3,243,661	10,384,750	4.123%	25.26 x	1.65 x	3.73 x
Fallbrook Union High School District	3,780,000	10	25,718,328	1,204,202	1,329,000	14.698%	7.80 x	1.32 x	1.67 x
San Dieguito Union High School District	18,225,000	10	101,499,738	12,593,365	4,135,600	17.956%	6.57 x	1.69 x	1.92 x
Subtotal	47,300,000					Subtotal Averages:	10.89 x	1.60 x	2.30 x
Total Par Amount: \$176,060,000									

(1) Base Amounts exclude Note Amounts.

(2) Note Amounts have been added to each Base Amount to calculate Cash Coverage Factors.

(3) 2012-13 Projected Cash Receipt are receipts received through the Maturity date of the respective note.

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